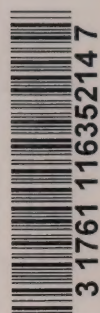


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**CANADA'S TRADE PERFORMANCE — 1960 - 1977**  
**VOLUME I**  
**GENERAL DEVELOPMENTS**

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CANADA'S TRADE PERFORMANCE

1960 - 1977

VOLUME I

GENERAL DEVELOPMENTS

Economic Intelligence Group  
Policy Analysis Branch  
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# CANADA'S TRADE PERFORMANCE, 1960-1977

## VOLUME I

### GENERAL DEVELOPMENTS

#### TABLE OF CONTENTS

	<u>Page</u>
Chapter I      INTRODUCTION AND GENERAL TRADE DEVELOPMENTS	
1.1    Introduction	1
1.2    Patterns of World Trade	
1.2.1    Distribution of World Trade	2
1.2.2    Growth in the 1960's and 1970's	5
1.3    Role of International Trade in Canada and Other Industrial Countries	
1.3.1    Canada in Relation to Other Countries	7
1.3.2    Canadian Trade and Economic Performance	10
1.4    General Orientation of Canadian Trade	11
1.5    Canada's General Balance of Trade	14
 Chapter II    THE CHANGING COMPOSITION OF CANADIAN TRADE BY MAJOR COMMODITY GROUP	
2.1    Introduction	16
2.2    Summary	16
2.3    Distribution of Merchandise Exports by Commodity Group	
2.3.1    Export Distribution by Value	18
2.3.2    Export Distribution by Volume	22
2.3.3    Distribution When Autos and Oil are Excluded	22
2.4    Distribution of Merchandise Imports by Commodity Group	
2.4.1    Import Distribution by Value	26
2.4.2    Import Distribution by Volume	33
2.5    Commodity Trade Balances	36
2.6    Prices and the Terms of Trade	
2.6.1    Export Prices	37
2.6.2    Import Prices	38
2.6.3    Canadian Terms of Trade	
2.6.3.1    Changes in the Terms of Trade	40
2.6.3.2    Effect of Changes on Trade Balance	42

Chapter III    TRADE PERFORMANCE BY MAJOR INDUSTRIAL SECTOR  
                  IN RELATION TO PRODUCTION

3.1	Introduction	43
3.2	Summary	44
3.3	Overview	44
3.4	Export Performance	47
3.5	Import Performance	49
3.6	The Dynamics of Sector Trade Performance	
3.6.1	Sector Growth	49
3.6.2	Sector Trade Balances	52
3.6.3	Export Orientation and Import Penetration	52

Chapter IV    MANUFACTURING TRADE PERFORMANCE IN RELATION  
                  TO PRODUCTION

4.1	Introduction	57
4.2	Manufacturing Trade as a Whole	
4.2.1	Balance of Payments Basis	58
4.2.2	Customs Value Basis	58
4.3	Manufacturing Trade by Major Industry Group	
4.3.1	Ratio of Shipments to Canadian Market	67
4.3.2	Export Orientation	71
4.3.3	Import Penetration	75

Chapter V    OVERVIEW OF REGIONAL MARKET DEVELOPMENTS

5.1	Introduction	79
5.2	Summary	79
5.3	Direction of Trade	
5.3.1	Major Trading Partners	80
5.3.2	Other Countries	83
5.4	Composition of Canada's Trade	
5.4.1	The United States	87
5.4.2	Countries Other than the U.S.	
5.4.2.1	The United Kingdom	98
5.4.2.2	Other Countries of the European Economic Community	103
5.4.2.3	Japan	109
5.5	Regional Trade Balances	115

Chapter VI CANADA'S SHARE OF WORLD MARKETS BY COMMODITY  
GROUPS AND REGIONS

6.1	Introduction	116
6.2	Summary	116
6.3	Canada and the Global Import Market	118
6.4	OECD Imports and Canadian Participation	
6.4.1	General Perspectives	119
6.4.2	Canada and Its Main Geographic Markets	122
6.4.3	Areas of Canadian Strength in the OECD	126
6.4.4	OECD Imports: Canada's Major Competitors	129
6.5	Markets Outside the Industrial Countries	
6.5.1	Overview	134
6.5.2	Developing Countries (Excluding Oil Economies)	138
6.5.3	Oil Economies	138
6.5.4	Centrally Planned Economies	143

Chapter VII THE UNITED STATES MARKET

7.1	Introduction	146
7.2	Summary	146
7.3	Overview of U.S. Trade Performance	
7.3.1	Importance of U.S. in World Trade	147
7.3.2	Importance of Trade to U.S. Economy	148
7.4	Canada's Participation in U.S. Markets	
7.4.1	Canada's Share of U.S. Imports	151
7.4.2	Areas of Canadian Strength	157
7.5	Canada's Competition	
7.5.1	Other Countries' Shares of U.S. Imports	159
7.5.2	Canada's Share in U.S. Domestic Markets	161



## Chapter VIII FACTORS IN CANADA'S TRADE PERFORMANCE

8.1	Introduction	164
8.2	Dimensions of Trade Performance	
8.2.1	Summary of Trade Performance	165
8.2.2	Description of Factors Affecting Trade Performance	166
8.2.3	Reduction in Trade Barriers	167
8.2.4	Changes in Price and Cost Factors	
8.2.4.1	Introduction	170
8.2.4.2	Changes in Canada's Shares of World Trade	170
8.2.4.3	General Competitive Position	171
8.2.4.4	Canada Versus the United State	171
8.2.4.5	Canada Versus Other Industrial Countries	176
8.3	Conclusion	177

List of Tables

<u>Table No.</u>	<u>Title</u>	<u>Page</u>
1.1	Distribution of Global Exports, 1977	3
1.2	Distribution of World Trade, 1976	4
1.3	Changes in Volume of World Commodity Exports, 1960-1977	6
1.4	Ratio of Commodity Exports to Gross Domestic Product	8
1.5	Production and Trade of Twelve Leading Developed Countries, 1976	8
1.6	Measures of Economic Performance, Canada, Average Annual Rates of Change, 1946-1977	12
1.7	Canada's Current Account Trade, 1960 to 1977	14
2.1	Canadian Merchandise Exports to All Countries, 1960 to 1977: By Major Commodity Group and Leading Commodities	19
2.2	Domestic Merchandise Exports: Percentage Distribution by Major Commodity Group, 1960-1977	20
2.3	Volume Indexes of Domestic Merchandise Exports by Major Commodity Group, 1960-1977	23
2.4	Volume of Domestic Merchandise Exports: Percentage Distribution by Major Commodity Group, 1960-1977	24
2.5	Canadian Merchandise Imports From All Countries, 1960 to 1977: By Major Commodity Group and Leading Commodities	28
2.6	Merchandise Imports: Percentage Distribution by Major Commodity Group, 1960-1977	29



<u>Table No.</u>	<u>Title</u>	<u>Page</u>
2.7	Volume Indexes of Merchandise Imports by Major Commodity Group, 1960-1977	32
2.8	Volume of Domestic Merchandise Imports: Percentage Distribution by Major Commodity Group, 1960-1977	33
2.9	Canadian Merchandise Trade Balance, Customs Value Basis Including Re-Exports: 1960 to 1977	35
2.10	Price Indexes of Domestic Exports by Major Commodity Group, 1960-1977	38
2.11	Price Indexes of Canadian Imports by Major Commodity Group, 1960-1977	39
2.12	Index of Canada's Terms of Trade, 1960-1977	41
3.1	Canadian Domestic Exports by Major Sector 1965-1977	48
3.2	Canadian Imports by Major Sector, 1965-1977	50
3.3	Goods Producing Industries & Growth and Trade Measures	51
3.4	Goods Producing Sectors: Output Value in Relation to Canadian Market	53
3.5	Goods Producing Sectors: Export Orientation	55
3.6	Goods Producing Sectors: Import Penetration	55
4.1	Canadian Manufacturing Trade	59
4.2	Trade in Manufactured Goods - Adjustments to B.O.P. Basis	60
4.3	Distribution of Domestic Exports, Imports and Shipments for Manufacturing by Major Industry Group	63
4.4	Manufacturing by Major Industry Group: Exports, Imports and Shipments, 1965-1977	64
4.5	Comparison of Average Annual Rates of Growth for Manufacturing Major Groups: Exports, Imports, Shipments Canadian Market and Prices, 1968-1977	65
4.6	Ratio of Shipments/Canadian Market by Major Manufacturing Groups, 1965-1977	68
4.7	Manufacturing by Major Group: Ratio of Shipments/Canadian Market 1965-1977	69
4.8	Export Orientation by Major Manufacturing Groups	72
4.9	Manufacturing by Major Sector: Export Orientation 1965-1977	73
4.10	Import Penetration by Major Manufacturing Groups	76
4.11	Manufacturing by Major Sector: Import Penetration 1965-1977	77
5.1	Canadian Exports by Geographic Area	82
5.2	Canadian Exports by Geographic Area (Percentage Distribution)	84
5.3	Canadian Imports by Geographic Area	85
5.4	Canadian Imports by Geographic Area (Percentage Distribution)	86
5.5	Canadian Exports to the United States, 1960 to 1977 By Major Commodity Group	88

<u>Table No.</u>	<u>Title</u>	<u>Page</u>
5.6	Merchandise Exports to the United States: Percentage Distribution by Major Commodity Group, 1960-1977	89
5.7	Canadian Imports From The United States, 1960 to 1977 By Major Commodity Group	90
5.8	Merchandise Imports From the United States: Percentage Distribution by Major Commodity Group, 1960-1977	91
5.9	Canadian Exports to Overseas Countries, 1960 to 1977: By Major Commodity Group	94
5.10	Merchandise Exports to Overseas Countries: Percentage Distribution by Major Commodity Group, 1960-1977	95
5.11	Canadian Imports From Overseas Countries, 1960 to 1977: By Major Commodity Group	96
5.12	Merchandise Imports from Overseas Countries: Percentage Distribution by Major Commodity Group, 1960-1977	97
5.13	Canadian Exports to the U.K., 1960 to 1977: By Major Commodity Group	99
5.14	Merchandise Exports to the U.K.: Percentage Distribution by Major Commodity Group, 1960-1977	100
5.15	Canadian Imports from the U.K., 1960 to 1977: By Major Commodity Group	101
5.16	Merchandise Imports from the U.K.: Percentage Distribution by Major Commodity Group, 1960-1977	102
5.17	Canadian Exports to Other EEC, 1960 to 1977: By Major Commodity Group	105
5.18	Merchandise Exports to Other EEC(9): Percentage Distribution by Major Commodity Group, 1960-1977	106
5.19	Canadian Imports From Other EEC, 1960-1977: By Major Commodity Group	107
5.20	Merchandise Imports From Other EEC(9): Percentage Distribution by Major Commodity Group, 1960-1977	108
5.21	Canadian Exports to Japan, 1960 to 1977: By Major Commodity Group	110
5.22	Merchandise Exports to Japan: Percentage Distribution By Major Commodity Group, 1960-1977	111
5.23	Canadian Imports From Japan, 1960 to 1977: By Major Commodity Group	112
5.24	Merchandise Imports From Japan: Percentage Distribution by Major Commodity Group, 1960-1977	113
6.1	Canada's Share of Global Imports	118
6.2	Canada, OECD and World Trade	119
6.3	OECD Imports and Gross Domestic Production	120
6.4	Canada and OECD: Relationship of Selected Indicators, 1976	122
6.5	Geographic Distribution of Canadian Supply and Market Growth	123



<u>Table No.</u>	<u>Title</u>	<u>Page</u>
6.6	Canadian Share of Imports of OECD and Selected Countries	125
6.7	Rising Canadian Shares of OECD Import Requirements	127
6.8	Canadian Participation in OECD Imports of Manufactures	128
6.9	Sectoral Composition of OECD Imports of Manufactures	130
6.10	OECD Imports - All Commodities Major Sources of Supply	131
6.11	OECD Imports - Manufactured Products Major Sources of Supply	132
6.12	Summary of Canadian Share of OECD Imports: All Commodities and Manufactured Products, Selected Years	133
6.13	Non-OECD Countries and Global Imports	134
6.14	OECD Exports to Main Non-OECD Areas	135
6.15	Direction of Canadian and OECD Export Effort - 1977	137
6.16	OECD Exports to Developing Countries (Excluding Oil Economies): All Commodities	139
6.17	OECD Exports to Developing Countries (Excluding Oil Economies): Manufactures	140
6.18	OECD Exports to Oil Economies: All Commodities	141
6.19	OECD Exports to Oil Economies: Manufactures	142
6.20	OECD Exports to Centrally Planned Economies: All Commodities	144
6.21	OECD Exports to Centrally Planned Economies: Manufactures	145
7.1	U.S. Share of OECD Imports: All Commodities and Manufacturing Products	148
7.2	U.S. Gross Domestic Product, Imports and Contribution of Imports to GDP: Total and Manufacturing	150
7.3	Trade Orientation and U.S. Manufacturing Sectors, 1972 and 1976	152
7.4	U.S. Imports: Value, Growth and Canadian Share by Major Sector For Selected Years 1962-1976	153
7.5	Canada's Share of United States Imports by Major Sector and Industry Group, 1962 to 1976	154
7.6	Percentage Change in U.S. Imports of Manufactured Goods From Canada, 1963 to 1976	155
7.7	Canadian Participation in U.S. Imports of Manufactured Goods	156
7.8	U.S. Imports of Manufactured Goods: 1976 Value, Canada's Share and the Distribution of Sub-Groups	158
7.9	United States Imports and Import Shares by Country and Regions: All Manufactures	160
7.10	Percentage Composition by Source of Supply	162
8.1	Canada's Share of World Export Markets	169
8.2	Percentage Changes in Factors Affecting Competitive Position of Canada vs United States	173
8.3	Percentage Changes in Factors Affecting Competitive Position of Canada vs Other Industrial Countries	174

List of Charts

<u>Chart No.</u>	<u>Title</u>	<u>Page</u>
1.1	Balance of Payments: Current Account	15
2.1	Domestic Merchandise Exports: Percentage Distribution by Major Commodity Group, 1960-1977	21
2.2	Volume of Domestic Merchandise Exports: Percentage Distribution by Major Commodity Group, 1960-1977	25
2.3	Domestic Merchandise Exports Excluding Automotive Products and Petroleum and Natural Gas: Percentage Distribution by Major Commodity Group, 1960-1977	27
2.4	Merchandise Imports: Percentage Distribution by Major Commodity Group, 1960-1977	30
2.5	Merchandise Imports Excluding Automotive Products and Crude Petroleum: Percentage Distribution by Major Commodity Group, 1960-1977	31
2.6	Volume of Merchandise Imports: Percentage Distribution by Major Commodity Group, 1960-1977	34
3.1	A. Value of Canadian Domestic Exports by Major Sector, 1965-77 B. Value of Canadian Imports by Major Sector, 1965-77	45
3.2	A. Volume of Canadian Domestic Exports by Major Sector, 1968-77 B. Volume of Canadian Imports by Major Sector, 1968-77	46
4.1	Goods Producing Industries and Manufacturing	61
5.1	A. Direction of Canadian Merchandise Exports B. Source of Canadian Merchandise Imports	81
6.1	Percentage Distribution of OECD Imports by Major Source of Supply	121



CHAPTER I

INTRODUCTION

AND

GENERAL TRADE DEVELOPMENTS



## CHAPTER I

### INTRODUCTION AND GENERAL TRADE DEVELOPMENTS

#### 1.1 INTRODUCTION

This report on Canada's commodity trade performance covers the period from 1960 to the present and examines Canada's trade from various perspectives, its commodity composition, regional market developments, the relationship between exports and imports in individual industrial sectors and Canada's trade performance measured against other countries. The study is based primarily on two sets of data; those on Canadian exports and imports compiled and classified by Statistics Canada, and United Nations data compiled from national sources but classified in a uniform framework established by the United Nations which differs in a number of significant ways from the Statistics Canada system.

The report is presented in eight chapters. Chapter I comprises the introduction and an examination of general trade developments in the world and Canada's role in international trade. Chapter II deals with the commodity composition of Canada's trade. This is dealt with in terms of broad commodity groups although some detail is given on a few major individual commodities. Chapter V deals with the geographical composition of Canada's trade, that is, with the changes in the importance to Canada of various export markets and the changes in Canada's sources of imports.

Chapters III and IV deal with Canada's trade performance in relation to domestic output and domestic demand. For this purpose, the commodity trade data have been assigned to industrial sectors following the Standard Industrial Classification System of Statistics Canada. In Chapter III, the export and import trends are analyzed for the major commodity producing industries of agriculture, forestry, fishing and trapping, mining and manufacturing. In Chapter IV, the analysis of trade performance is focussed on manufacturing with some reference to the 20 major manufacturing groups such as foods and beverages manufacturing.

Chapter VI examines Canada's share of exports to external markets. This chapter begins with an analysis of Canada's participation in world trade, then in the market of the OECD as a whole with some reference to Canada's participation in the markets of individual members of the OECD, then of the developing countries and finally of the centrally planned economies. The Canadian shares of exports to the OECD countries are considered in relation to the shares obtained by other industrial countries. Chapter VII examines Canada's share of exports to the United States, again, by major industrial group, and also by the 20 manufacturing sectors. In most cases, these chapters measure exports in terms of the United Nations data on imports of the market areas concerned. All the

data have been converted into U.S. dollars at the rates of exchange prevailing each year. The United Nations data have been adjusted to approximate Canadian industry sector definitions. The commodity classification systems of Canada's export markets differ from the Canadian system and even though they have been adjusted to a common United Nations definition it has been noted that there are discrepancies, e.g., between the United States data recording imports from Canada and the Canadian data recording exports to the United States. These owe their origin to several factors but the discrepancies are not believed to be so large as to invalidate the conclusions that have been drawn in this report.

Chapter VIII examines the factors in Canada's trade performance which have been identified in the preceding chapters. Particular attention is focused on Canada's competitive position in terms of prices and costs.

## **1.2 PATTERNS OF WORLD TRADE**

### **1.2.1. Distribution of World Trade**

Canada's international trade can be better understood within the context of total world trade. This section provides a brief overview of the basic pattern of exchange of commodities at the world level.

In 1977, the market economies in total provided about 90 percent of world exports with the developed market economies accounting for some 65 percent of total value. The developing market economies make up about a quarter while centrally planned economies account for the remaining 10 percent of world exports (See Table 1.1).

The United States, although it is the largest single exporter, comprises only about 10 percent of world exports, compared with Canada at about 4 percent, and Japan with 7 percent. The major trading group, with 34 percent of world exports, is the EEC. Half of the external trade of members of the EEC is with other members of the Community. Among the developing countries, the emergence of OPEC quite clearly represents the major change in relative trade shares, outstripping the increases in value of exports of all other major trading groups in recent years.

Most of the exports of developed market economies go to other developed countries, over 70 percent in 1976 (See Table 1.2). About three-quarters of this trade among the developed market economies is made up of manufactured goods. About half of the exports of the centrally planned economies go to other centrally planned economies, again largely concentrated in manufactured goods. Most of the exports (about 70 percent) of developing market economies went to the developed countries in 1976 and, as would be expected, most of this was fuel. In return, the developed countries shipped manufactured goods notably machinery and transport equipment. Indeed, the developing world now makes up 30 percent of the international market for machinery and transport equipment.



TABLE 1.1  
DISTRIBUTION OF GLOBAL EXPORTS, 1977

	Value (\$US Billions)	Distribution Percent	Average Annual % Growth <u>1960-69</u> <u>1969-77</u> <u>1960-77</u>		
			(percent)		
Total	1,121	100	8.8	19.3	13.6
Developed Market Economies	729	65	9.6	18.0	13.4
Developing Market Economies	283	25	6.6	24.6	14.7
OPEC	147	13	7.4	32.8	18.7
Centrally Planned Economies	108	10	7.2	17.3	11.8
Canada	42	4	10.3	14.8	12.4
United States	119	11	10.6	15.6	12.9
Japan	81	7	15.1	22.4	18.5
EEC of 9	376	34	8.9	18.5	13.4
Other Devel.Market Economies	112	10	7.8	17.5	12.3
Developing Africa	44	4	8.8	18.5	13.2
Developing America	63	6	4.6	19.6	11.4
Developing Asia	175	16	7.2	29.5	17.2

Note: Data exclude trade between centrally planned economies of Asia, and, for 1977, between the Federal Republic of Germany and the German Democratic Republic.

Source: UN Monthly Bulletin of Statistics, June 1978.  
UN Handbook of International Trade and Development Statistics, UNCTAD, 1976.

The pattern of Canada's export trade is similar to that of the rest of the developed market economies although a somewhat higher proportion of its exports go to other developed market economies than is true of other industrial nations. Also a somewhat higher percentage of Canada's exports is made up of food items, fuels, lumber, wood pulp and metal ores than is true of the developed economies as a whole, reflecting Canada's substantial agricultural, forest and mineral resources and its relatively small population.

TABLE 1.2

DISTRIBUTION OF WORLD TRADE, 1976

<u>Exports from:</u>	<u>Exports to:</u> <sup>(1)</sup>	<u>Developed Market Economies</u>	<u>Developing Market Economies</u>	<u>Centrally Planned Economies</u>	<u>Total</u>
	(billions of U.S. dollars)				
	<u>Total Commodities</u>				
Developed Market Economies		458	147	34	642
Developing Market Economies		182	58	10	255
Centrally Planned Economies		<u>27</u>	<u>14</u>	<u>50</u>	<u>92</u>
Total		<u>666</u>	<u>220</u>	<u>94</u>	<u>989</u>
	<u>Food, Beverages and Tobacco</u>				
Developed Market Economies		50	13	5	69
Developing Market Economies		22	7	4	34
Centrally Planned Economies		<u>3</u>	<u>2</u>	<u>3</u>	<u>9</u>
Total		<u>76</u>	<u>23</u>	<u>13</u>	<u>112</u>
	<u>Crude Materials excl. Fuels, Oils, Fats</u>				
Developed Market Economies		28	2	(2	32
Developing Market Economies		15	4	2	22
Centrally Planned Economies		<u>4</u>	<u>1</u>	<u>3</u>	<u>8</u>
Total		<u>57</u>	<u>10</u>	<u>7</u>	<u>76</u>
	<u>Chemicals</u>				
Developed Market Economies		42	14	4	60
Developing Market Economies		2	2	(2	4
Centrally Planned Economies		<u>1</u>	<u>1</u>	<u>2</u>	<u>4</u>
Total		<u>45</u>	<u>16</u>	<u>6</u>	<u>68</u>
	<u>Machinery and Transport Equipment</u>				
Developed Market Economies		156	73	11	242
Developing Market Economies		5	4	(2	9
Centrally Planned Economies		<u>2</u>	<u>4</u>	<u>21</u>	<u>27</u>
Total		<u>45</u>	<u>16</u>	<u>6</u>	<u>68</u>
	<u>Other Manufactured Goods</u>				
Developed Market Economies		136	36	11	184
Developing Market Economies		24	9	1	34
Centrally Planned Economies		<u>6</u>	<u>3</u>	<u>12</u>	<u>21</u>
Total		<u>166</u>	<u>47</u>	<u>24</u>	<u>238</u>

Source: United Nations, Monthly Bulletin of Statistics, June, 1978

(1) The sum of "Exports to" is less than that of "exports from" because the destination of certain exports is unknown.

(2) Less than \$500 million.

### 1.2.2 Growth in the 1960's and 1970's

The growth of world trade in the 1960's and 1970's has been spectacular, increasing in value eight-fold from 1960 to 1977. The rate of increase accelerated in the 1970's but this was due to sharp increases in prices particularly after 1972. The almost 9 percent annual rate of growth in the 1960's was nearly all due to increased volume as prices in internationally traded goods increased at an annual rate of only a little more than one percent. Since 1970, prices have more than doubled. For this reason, it is more informative to look at the changes in volume of trade over the period under review.

World trade in volume terms<sup>1</sup> rose by about 120 percent from 1960 to 1970 (while world production grew only about 70 percent in volume terms) and grew another third up to 1973 after which recession struck the industrial world. Exports of the developed market economies increased substantially more than those of the developing countries from 1960 to 1970. It was only from 1970 to 1973 that the exports of the developing countries approached a rate of growth approximating that of the developed countries. Canada had an above average rate of growth in the volume of exports showing an increase of 155 percent from 1960 to 1970. The volume of Canada's exports grew somewhat more slowly than the world total from 1970 to 1973 increasing by 26 percent compared to 31 percent for the world total, fell more sharply in the recession years of 1974 and 1975 but has recovered more strongly since, growing by 18 percent from 1975 to 1977 compared to 15 percent for the world as a whole (See Table 1.3). By 1977, world exports of all commodities had somewhat more than tripled in volume compared to 1960.

The growth in the volume of world trade of manufactured goods has been stronger than that for total commodities. The volume of exports of manufactured goods of the developed market economies (which in 1970 made up 84 percent of the world total) quadrupled from 1960 to 1977; that for Canada increased even faster, quintupling in the same period. Trade in manufactured goods was not as adversely affected as total trade during the recession of 1974 and 1975 although the volume of Canadian exports of manufactured goods actually declined while exports of manufactures by other industrial countries in total edged upward. Since 1975, Canada's exports of manufactured goods have recovered strongly and the volume growth has outpaced that for the industrial countries as a whole.

---

<sup>1</sup> While these volume data do not include the exports of the centrally planned economies, these made up only 9 percent of the value of total world exports in 1976.

TABLE 1.3

CHANGES IN VOLUME OF WORLD COMMODITY EXPORTS, 1960-1977

	<u>1960-70</u>	<u>1970-73</u>	<u>1973-75</u>	<u>1975-77</u>	<u>1960-77</u>
	(percent)				
<u>Total Commodities</u>					
World <sup>1</sup>	117	31	1	15	220
Developed Market Economies	127	31	2	16	252
Canada	155	26	-14	18	226
<u>Manufactured Goods<sup>2</sup></u>					
Developed Market Economies	144	34	5	16	298
Canada	233	26	- 5	26	403
<u>All Market Economies<sup>3</sup></u>				<u>1975-76</u>	<u>1960-76</u>
Food, etc.	56	22	2	8	111
Raw materials, excl. fuels	49	23	-13	11	78
Fuels, etc.	133	24	-14	7	165
Chemicals	233	39	- 4	18	427
Machinery <sup>4</sup>	178	29	11	13	350
Other Manufactures	<u>133</u>	<u>31</u>	<u>-</u>	<u>15</u>	<u>251</u>
TOTAL	117	28	1	13	217

Source: United Nations, Monthly Bulletin of Statistics; Statistics Canada.

1 Excluding the trade of centrally planned economies.

2 Defined as consisting of sections 5-8 of the Standard International Trade Classification namely chemicals and chemical products; manufactured goods classified chiefly by material such as leather, wood manufactures, paper, paperbound, textiles, iron and steel, non-ferrous metals, etc; machinery and transport equipment, and miscellaneous manufactured goods.

3 To other market economies.

4 Including transport equipment.



The growth in exports has also varied significantly by commodity group.. From 1960 to 1976, the volume of exports of raw materials (excluding fuels) increased by 78 percent and that of food by 111 percent. Exports of fuels were somewhat stronger at 165 percent. But exports of chemicals increased by about 425 percent in volume terms in the period while that of machinery and transport equipment increased by 350 percent and other manufactures by 250 percent.

### **1.3 ROLE OF INTERNATIONAL TRADE IN CANADA AND OTHER INDUSTRIAL COUNTRIES**

#### **1.3.1 Canada in Relation to Other Countries**

The role of international trade in a nation's economy is, among other factors, related to its size, the diversification of its production and its level of income. The relationship is not a simple or uniform one. Large economies whether rich or poor tend to provide a larger share of their needs internally than do small economies and thus are less subject to changes in international trade. Highly specialized economies tend to rely to a greater extent than do diversified economies on international trade exchanging their narrow range of production for the wider range of their demand requirements. The developing countries with low per capita incomes tend to have high ratios of exports to output in part because most of them rank as small economies in terms of output if not in terms of population.

The importance of international trade in the world market economy has increased in the post-war period as exports grew faster than domestic output and imports grew faster than domestic consumption in nearly all countries. This trend was particularly marked in the 1960's with a significant increase in export orientation. The trends in some of the major industrialized countries are indicated in Table 1.4.

Canada is a medium-size economy, ranking sixth in terms of output among the developed market economies and also sixth in terms of exports of goods (See Table 1.5). The value of Canada's exports (in terms of U.S. dollars) is exceeded only by those of the United States, Japan, West Germany, France and the United Kingdom and is about the same as that of Italy and the Netherlands. Outside of the market economies, the Soviet Union is the only country whose exports approach those of Canada.

Canada thus also occupies a middle position as far as its reliance on international trade is concerned. About 23 percent of Canada's output of goods and services is exported compared to about 18 percent for the OECD as a whole. Among the seven major industrialized market economies, Canada is fourth highest in terms of its reliance on international markets, being exceeded by the United Kingdom, Italy and West Germany. Smaller industrial countries such as Belgium, the Netherlands and Switzerland, also show a higher ratio of exports to total output than does Canada.

TABLE 1.4

RATIO OF COMMODITY EXPORTS TO GROSS DOMESTIC PRODUCT

	<u>1965</u>	<u>1970</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
	(percent)					
United States	3.9	4.4	5.5	7.0	7.1	6.8
Japan	9.5	9.8	9.0	12.2	11.3	12.1
West Germany	15.6	18.4	19.6	23.4	21.5	22.9
France	10.2	12.5	14.3	17.1	15.4	16.0
United Kingdom	13.3	15.9	17.3	20.2	15.2	21.0
Canada	15.6	19.5	20.2	21.6	19.7	19.7
Italy	12.3	14.3	15.7	19.5	19.9	21.6
EEC <sup>1</sup> (including intra-community trade)	15.2	18.1	20.0	23.8	21.9	23.5
EEC <sup>1</sup> (excluding intra-community trade)	8.2	9.0	9.5	11.7	11.1	11.3
OECD	9.0	10.6	12.4	14.9	14.2	14.5

Source: United Nations, Commodity Trade Statistics, IT&C International Trade Data Bank.

OECD, National Accounts of OECD Countries, 1976.

<sup>1</sup> Adjusted to include all the present members of the European Community throughout the period.

TABLE 1.5

PRODUCTION AND TRADE OF TWELVE LEADING DEVELOPED COUNTRIES, 1976

	<u>Production<sup>1</sup></u>	<u>Exports of Goods &amp; Services</u>		<u>Exports of Goods</u>	
	(Billions of \$U.S.)	(Billions of \$U.S.)	Percent of GDP)	(Billions of \$U.S.)	(Percent of GDP)
United States	1,702.0	141.3	8.3	115.0	6.8
Japan	555.1	76.6	13.8	67.2	12.2
West Germany	445.9	115.9	26.0	102.0	22.5
France	346.8	70.4	20.3	55.8	16.1
United Kingdom	219.2	63.8	29.1	46.3	21.3
Canada	194.6	44.4	22.8	38.6	20.4
Italy	170.8	45.6	26.7	36.9	22.6
Spain	104.6	14.5	13.9	8.7	8.5
Australia	94.1	15.0	15.9	13.1	14.1
Netherlands	89.5	48.6	54.3	38.7	43.9
Belgium/Luxembourg	68.2	33.5	49.2	32.8	48.2

<sup>1</sup> Gross Domestic Product

Source: United Nations, Monthly Bulletin of Statistics

For commodities alone, the situation is similar. As already noted, there is some relationship between the size of an industrialized economy and its degree of dependence on outside markets. The two largest economies, the United States and Japan, have a relatively lower dependence on international trade although they are joined by the poorer members of the OECD such as Spain, Turkey, Greece and Portugal which, even though their economies are smaller, have a relatively low orientation to international markets. All of the richer developed economies smaller than Canada except Australia have a larger proportion of output going to foreign markets. Canada now has a smaller proportion of its output going to external markets than its size would seem to suggest.

Among the seven major industrialized countries, Canada is unique in the degree of concentration of its international commodity trade in one market. About two-thirds of its commodity exports go to the United States. Only 13.1 percent of West Germany's exports go to its major trading partner (France) compared to 21.0 percent for the United States (Canada) and 23.6 percent for Japan (United States).

This degree of concentration is a reflection of geographic proximity and the large size of the United States economy relative to Canada. A similar analysis for the major West European industrial countries shows that Western Europe as a whole absorbs 65.6 percent of West Germany's exports, 62.7 percent of those of France, 51.2 percent of those of the United Kingdom and 61.6 percent of those of Italy. Canada's international trade is somewhat less concentrated in the United States than would be indicated by its geographic position.

Canada's international trade is also affected by the fact that Canada is almost a continent in itself, twice the area of Europe (excluding the U.S.S.R.). Thus, it is sometimes more economic to export a product from one part of Canada and import it to another than to meet the domestic requirements for the product internally. This is true of crude petroleum, coal and iron ore to name a few outstanding examples.

The importance of international trade to the Canadian economy varies significantly from one industrial sector to another and also from one region to another. While, as has been said, about 23 percent of total Canadian output is exported, a higher proportion or about one-third of total goods output is exported. Within the goods sector, the degree of dependence on exports is often higher, standing at 64 percent of output for wheat, 80 percent for iron ore and 73 percent for motor vehicles.



### 1.3.2 Canadian Trade and Economic Performance

What contribution have international trade developments made to the growth of the Canadian economy since 1960? To answer, it is necessary to take a longer term perspective and compare the growth of trade and of the Canadian economy in the 1960's with that which prevailed in other periods and most notably that in the immediately preceding decade.

The immediate post-war period was one of stagnation for Canada's external trade with exports in real terms edging downward as Canada's overseas customers struggled to recover from the destruction of war and the ensuing serious balance of payments difficulties. The latter was a particularly serious problem for the United Kingdom which had been Canada's largest single export market before the war.

The recovery in Canada's exports that began in 1951 was in part a response to a difficult international climate which provoked substantial rearmament. It should also be noted that the Korean war began in 1950. The average annual growth rate of exports in real terms for the decade of the 50's was about 4 percent which seems relatively low when compared to the decade of the 60's when an annual average of over 9 percent was attained (See Table 1.6). It should not be overlooked that the period of the 50's saw a major development of infra-structure, the building of pipelines, the construction of the Seaway and a major expansion of oil, metallic and mineral development, all of which paved the way for the expansion of exports in the 1960's.

The 1960's then showed a distinctly different pattern. While the expansion of trade in automotive goods was a major factor in this increased volume, it is not by any means the only one as there was a stronger rate of growth of exports in volume terms in all major commodity sectors with an average annual rate of growth in the volume index of 5.7 percent for food, feed, beverages and tobacco from 1960 to 1970, 7.9 percent for inedible materials and 5.8 percent for inedible fabricated materials, all higher than the average growth in the volume of exports in the previous decade.

On the surface there would seem to have been little correlation between the rate of growth of Canada's exports in real terms and that of aggregate income measurements such as Gross National Product in real terms. Gross National Product in real terms grew in the post-war period at an average annual rate of between 4.5 and 5.0 percent whether exports were edging downwards or growing at 5 percent annual rates or at 9 percent annual rates. Moreover, there was a gradual slowing down in the rates of increase in most measures of productivity in the period, even though the rate of growth of exports was accelerating.

But it would be a mistake to come to this conclusion. The point is that the major exception was manufacturing, the industrial sector most affected by the expansion of trade in the 1960's. The annual rate of increase in output per man-hour in manufacturing has gradually strengthened in the post-war period from about 3.8 percent in the period from 1946 to 1960 and around 4.5 percent from 1960 until the recession of 1974. This improvement in the rate of growth of manufacturing productivity was obscured in the aggregate productivity performance by the increasing importance of the service industries with their lower rate of measured productivity improvement. But there was also an apparent slow-down in the productivity increases in mining and forestry from the high rates of the 1950's.

The role of Canada's trade in this achievement in manufacturing is suggested by the fact that the growth of manufacturing exports helped to bring about an increase of 80 percent in manufacturing output in the 1960's compared to 52 percent in the 1950's. Manufacturing output destined for domestic markets rose at about the same rate in the 1960's as in the 1970's i.e. 50 percent, but that destined for foreign markets grew by about 350 percent.

It is not the sheer magnitude of any general increase in exports which is significant but where the increases have taken place. Separate studies show that the average productivity of Canada's export-oriented manufacturing industries is somewhat higher than that of the domestic-oriented manufacturing industries. As long as this remains true, an expansion of exports should improve the overall productivity performance of the Canadian economy.

#### **1.4 GENERAL ORIENTATION OF CANADIAN TRADE**

International trade has the same fundamental characteristics as a domestic market transaction. It is an exchange of one kind of output for another with both parties to the transaction typically benefitting. Canada, like other major trading nations, has a quite diversified pattern of exports reflecting the nature of its natural endowment, its historical associations and its comparative advantage. Canada's large area, endowed with a variety of physical resources and a sparse population, means that in general it is a resource-surplus country. Canada therefore has long been a net exporter of most agricultural, forest and mineral resources although the relative importance of individual commodities has changed significantly over time. In 1960, well over 90 percent of Canada's commodity exports were still resource materials in crude or processed form. This earlier characteristic of Canada's trade is sometimes misunderstood as reflecting a primitive or low-technology economy. This is far from being the case. The resource products exported are the product of highly complex and advanced industrial processes involving the use of much capital, skilled labour and major inputs of science and technology.



TABLE 1.6

MEASURES OF ECONOMIC PERFORMANCE, CANADA, AVERAGE ANNUAL RATES OF CHANGE

1946 - 1977

1	Exports in (1971) Constant Dollars	G.N.P. in (1971) Constant Dollars	G.N.P. per Capita	G.N.P. per Civilian Employed Person	2				Other Commercial Goods-Producing Industries	
					Output Per Man-Hour			Manufacturing		
					All Commercial Industries	Commercial Goods Producing Industries	Agriculture		Commercial Non-agricultural Goods-Producing Industries	
1946-50	-1.0	4.5	1.7	2.9	4.4	6.1	5.0	3.9	3.6	4.0
1950-60	3.9	4.7	1.9	2.8	4.3	5.9	5.9	4.8	3.8	6.4
1960-70	9.3	5.2	3.4	2.3	4.0	5.3	5.3	4.4	4.3	4.6
1970-73	7.2	6.8	5.5	3.2	4.1	5.0	2.6	4.5	5.4	2.7
1973-75	2.4	-4.2	0.8	-0.7	0.0	-0.8	-0.7	-0.5	-0.4	-1.1
1975-77	4.1	8.4	3.0	2.0	3.9	4.7	9.5	3.7	4.7	2.0

<sup>1</sup>Of goods and services

<sup>2</sup>Index: 1971=100

<sup>3</sup>Largely mining and forestry

Source: Statistics Canada, National Accounts: 13:201, 14:201.

In the sixties, another stage of Canada's international trade began with the sharp increase in exports of end products, i.e. goods which require no further manufacturing (other than assembly) before they may be used for their final purpose. This transformed the composition of Canada's exports from one in which only 8 percent of Canada's exports consisted of inedible end products to one in which by 1970 fully one-third was made up of this category. This proportion has remained relatively unchanged in nominal dollar terms in the 1970's but in real terms the proportion of Canada's exports in end-product form has continued to rise reaching a level of about 46 percent in 1977.

The sharp increase in Canada's international trade in automotive goods associated with the Canada-United States autopact was a major factor in this transformation, but the increase in exports of end products other than automotive products has also been substantial.

The end result of the changes that have taken place has been to give Canada a pattern of exports more diversified than at the beginning of the 1960's. Canada has now joined the other six major industrialized countries where export orientation is strongly toward the manufacturing sector although Canadian exports of manufactured goods have certain unique characteristics.

Basically, the Canadian economy has a number of distinct features. In the food sector, it produces a surplus of grain which is exported, imports tropical food products and temperate fruits and vegetables in the off season while producing much of the food products that are required such as dairy products, meat and bread.

In the area of durable and semi-durable goods, Canada produces a major portion of its requirements. The major consumer durable is the automobile where the two-way trade with the United States is vast. But household goods such as ranges, refrigerators and furniture are almost entirely produced domestically. A significant proportion of electrical products such as radios, record players and television sets are now imported. It is in the area of semi-durable goods that the major new import threat has emerged with substantial increases in the imports of clothing.

A major portion of capital goods is imported although Canada also engages in a substantial export of capital equipment such as industrial machinery. On balance, Canada meets only approximately half of its expenditures for capital equipment from domestic sources.

In the area of industrial materials, Canada is, of course, a net exporter but the two-way trade in such materials is substantial. This reflects the continental dimensions of Canada with one region of Canada exporting a particular industrial material while another region is importing it.

## 1.5 CANADA'S GENERAL BALANCE OF TRADE

Canada's international trade in the 1960's and 1970's has had a distinctive pattern, a surplus in commodity trade (with only two exceptions, 1960 and 1975) and a deficit on trade in services. This has typically produced a narrow current account deficit, although a current account surplus was actually realized in three years in the early 1970's. In 1975, Canada entered a new period of relatively large current account deficits averaging somewhat over \$4 billion in each of the last three years but these have been a smaller proportion of GNP than were Canada's current account deficits in the latter part of the 1950's. The recent large current account deficits largely reflect a significant increase in the service deficit. The increased deficits in the travel account and in interest and dividends have been the principal factors in this change (see Chart 1.1 and Table 1.7).

TABLE 1.7

### CANADA'S CURRENT ACCOUNT TRADE, 1960 TO 1977

(Balance of Payments Basis)

Year				Commodities and <sup>1</sup>		Total
	Commodities		Trade	Services		Current Account
	Exports	Imports		Balance	Exports	Imports
(millions of dollars)						
1960	5,392	5,540	-148	7,215	8,448	-1,233
1961	5,889	5,716	173	7,904	8,832	-928
1962	6,387	6,203	184	8,548	9,378	-830
1963	7,082	6,579	503	9,416	9,937	-521
1964	8,238	7,537	701	10,887	11,311	-424
1965	8,745	8,627	118	11,648	12,778	-1,130
1966	10,745	10,102	224	13,600	14,762	-1,162
1967	11,338	10,772	566	15,303	15,802	-499
1968	13,720	12,249	1,471	17,464	17,561	-97
1969	15,035	14,071	964	19,425	20,342	-917
1970	16,921	13,869	3,052	21,932	20,826	1,106
1971	17,877	15,314	2,562	23,051	22,620	431
1972	20,129	18,272	1,857	25,483	25,869	-386
1973	25,461	22,726	2,735	31,776	31,668	108
1974	32,591	30,902	1,689	40,352	41,812	-1,460
1975	33,511	33,962	-451	41,840	46,597	-4,757
1976	38,132	36,793	1,339	47,171	50,972	-3,801
1977	44,628	41,712	2,916	54,181	58,331	-4,150

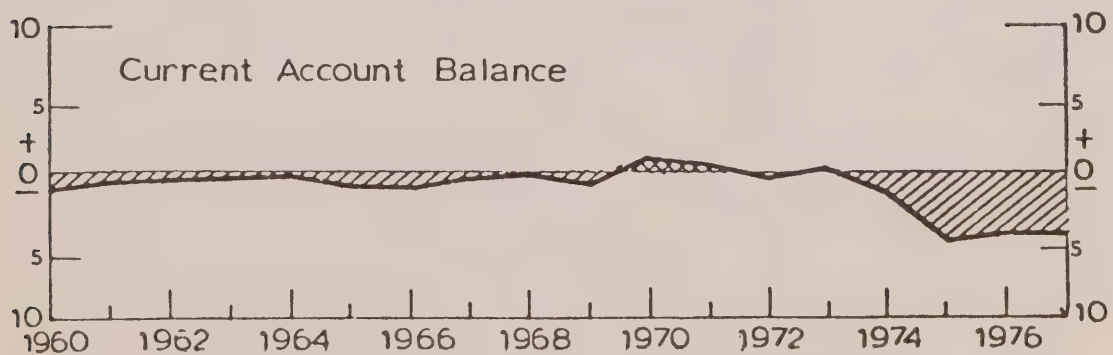
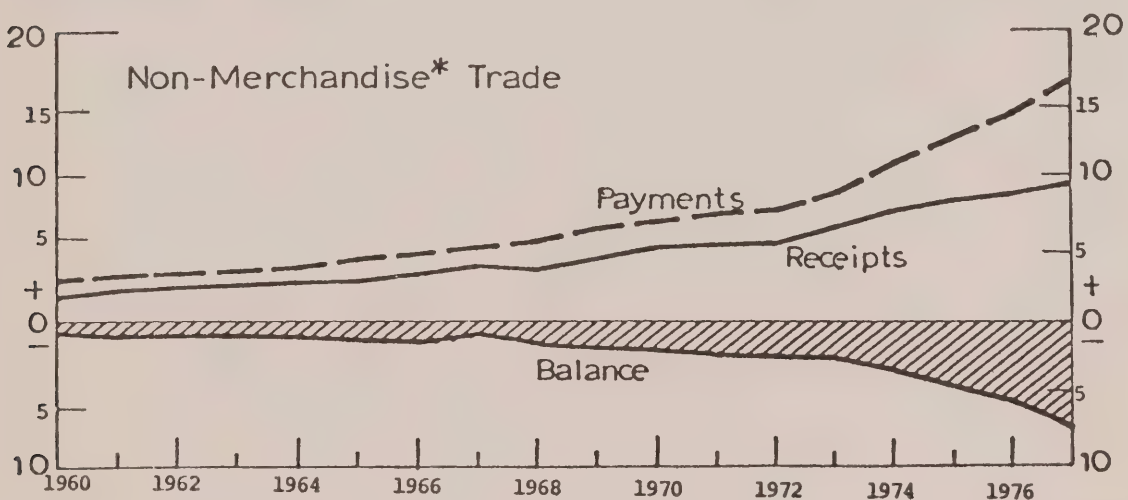
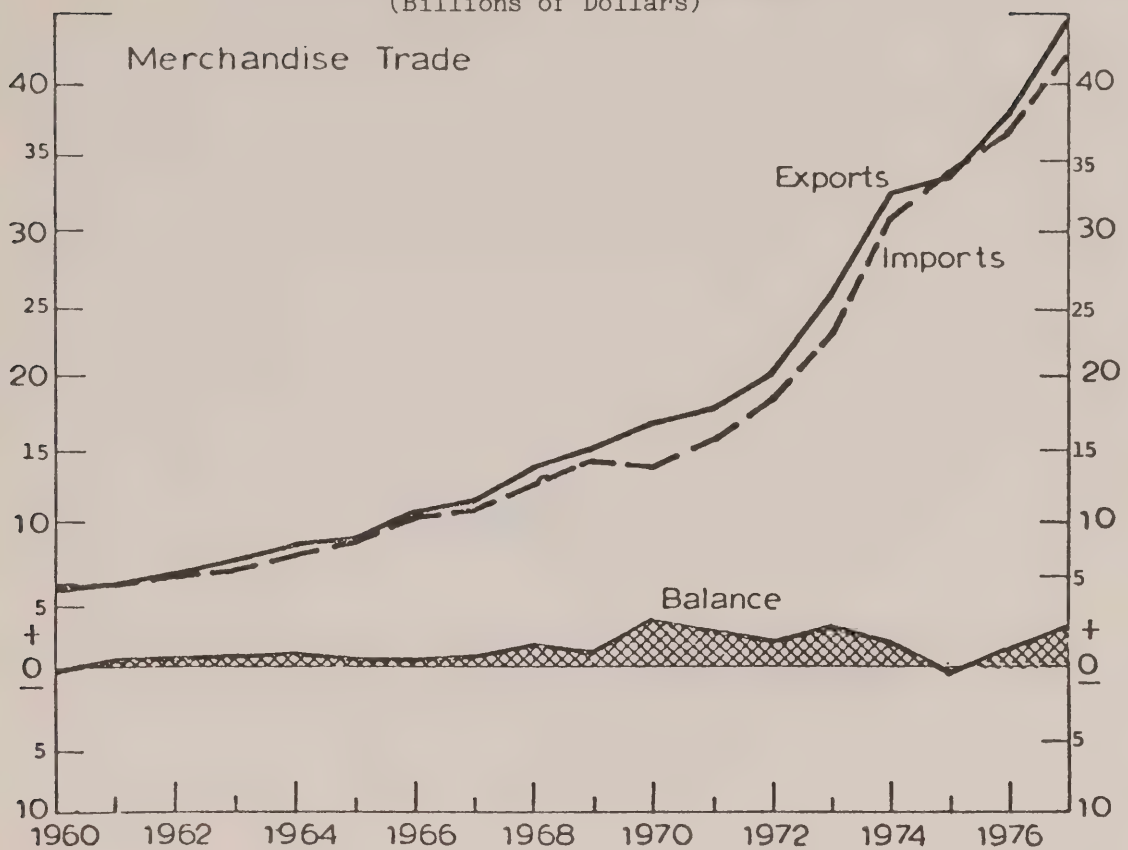
Source: Statistics Canada

<sup>1</sup>Including transfers



CHART 1.1

BALANCE OF PAYMENTS: CURRENT ACCOUNT  
(Billions of Dollars)



\* Includes Services and Transfers



CHAPTER II

THE CHANGING COMPOSITION OF CANADIAN TRADE

BY MAJOR COMMODITY GROUP





## CHAPTER II

### THE CHANGING COMPOSITION OF CANADIAN TRADE BY MAJOR COMMODITY GROUP

#### 2.1 INTRODUCTION

Taking the increasing importance of foreign trade to the Canadian economy over the period 1960-1977 as given, this chapter provides an overview of the changing composition of merchandise trade by major commodity group. A description of the distribution of both exports and imports by value and by volume<sup>1</sup> over the period 1960 to 1977 is followed by a brief discussion of commodity trade balances over that period. Export and import price changes as displayed by base weighted price indexes for each of the major commodity groups are then examined, and this is followed by a brief discussion of corresponding movements in the terms of trade.

#### 2.2 SUMMARY

In current dollars, the commodity distribution of Canada's merchandise exports changed in a rather striking fashion over the period 1960 to 1977. The most notable changes were: (a) a steady rise in the share of finished manufactured goods (inedible end products) between 1960 and 1969, a rise which was particularly pronounced between 1965 and 1969 because of the implementation of the Canada-U.S. Automotive Products Agreement, and the maintenance of a constant share in the 1970's; (b) a decline in the shares of inedible fabricated materials and of agricultural products; and (c) a temporary rise in the share of inedible crude materials between 1972 and 1974 as a result of the rapid increase in oil prices but in general the maintenance of a constant share of the total. When the distributions are adjusted by excluding automotive and petroleum and natural gas products, there is still an increase in the share of finished manufactured goods (from 1960 to 1969), but there is little evidence of a trend in any of the shares over the last ten years.

The trends in the distribution of merchandise exports in volume terms are very similar to those in value terms in the 1960's, i.e. there is a sharp rise in the share of finished manufactured goods, sharp declines in the shares of inedible fabricated materials and of agricultural products and a moderate decline in the share of inedible crude materials. But the adjustment to volume terms substantially changes the trends in the 1970's showing a continuing rise in the importance of finished manufactured goods and a decline in inedible crude materials.

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<sup>1</sup> In this chapter, volume refers to current weighted (Paasche) indexes derived by deflating current values with base weighted (Laspeyres) price indexes.

On the import side, the distribution in current dollars differs from that for exports in that finished manufactured goods constitute by far the largest share of imports throughout the period. When imports of automotive and crude petroleum products are omitted, the (adjusted) share for finished manufactured goods displays a fairly strong upward trend, while the shares of each of the other groups show mild downward trends. In volume terms, as was the case for exports, there was a sharp and continuous increase in the share of finished manufactured goods throughout the period.

Canada typically has shown trade surpluses in agricultural products, inedible crude materials and fabricated materials and trade deficits in inedible end products. Both the surpluses and the deficits have grown in nominal dollar terms because the dollar value of trade increased by about 700 percent in the period. What is equally important is that, relative to the total trade in the sector, the deficit in inedible end products has declined while the surplus in agricultural products has also declined. In other words, during the period the value of exports of inedible end products rose more rapidly than the value of imports while the reverse was true for agricultural products. On the other hand, the increase in the surpluses in inedible crude materials and fabricated materials was in line with the increases in trade turnovers in these sectors.

As far as prices are concerned, for both exports and imports, there are two features that perhaps stand out more than others. First, all prices rose much more rapidly from 1973 to the present than they did from 1960 to 1972, reflecting the world-wide explosion in commodity prices led in magnitude by crude oil. Second, although the prices of finished manufactured goods shared in this acceleration, their increases were considerably muted compared to those for the other groups, and this resulted in a decline in the prices of finished manufactured goods relative to the prices of the other groups. This relative decline no doubt contributed to the more rapid growth in manufacturing trade noted in Chapter I.

The movement of export prices relative to import prices is summarized in the terms of trade<sup>1</sup>. For all commodity groups combined, the terms of trade turned against Canada from 1960 to 1963, then moved in our favour over the rest of the decade, returning to the 1960 level by 1970. They continued to move in our favour until 1974 and have since turned slightly against us once again. Among the major groups, two notable features concern the terms of trade in inedible crude materials and finished manufactured goods. For inedible crude materials, the terms of trade moved steadily in Canada's favour from 1960 to 1968, turned sharply against us from 1970 to 1975 and then improved slightly in 1976 and 1977. For finished manufactured goods, the terms of trade remained relatively unchanged from 1960 through to 1974, deteriorated sharply in 1975 and then stayed about the same to 1977.

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1 The ratio of export prices to import prices (see page 40)



## 2.3 DISTRIBUTION OF MERCHANDISE EXPORTS BY COMMODITY GROUP

### 2.3.1 Export Distribution by Value

There have been several significant changes in the commodity distribution of Canada's domestic merchandise exports over the period 1960 to 1977. In general, the shares of merchandise exports accounted for by food and related products and by inedible fabricated materials have declined, that by finished manufactured goods (inedible end products) has increased, and that by inedible crude materials has remained about the same (See Tables 2.1 and 2.2 and Chart 2.1). The most striking features of this changing composition were: (a) the dramatic increase in the share of finished manufactured goods between 1965 and 1969, attributable to the massive shift in motor vehicle trade following the implementation of the Canada-U.S. Automotive Products Agreement in 1965; (b) the steady decline in the share of inedible fabricated materials over the whole period; and (c) the sharp rise in the share of inedible crude materials between 1972 and 1974, attributable to the rapid run-up in oil prices, followed by a gradual subsidence from 1975 to 1977.

Finished manufactured goods showed a steadily increasing share from 1960 to 1965, rising from about 8 percent to just over 15 percent in that period. By 1969 this share had jumped to 36.8 percent of the total and has since declined slightly to the neighbourhood of 35 percent in 1977. The share of automotive products jumped from 2.2 percent in 1964 (the year before the signing of the Autopact) to 24.3 percent in 1969 (see Table 2.2). Since 1969 it has fluctuated in the 18 to 24 percent range, dipping when the U.S. economy slumped (1970 and 1974-75) and rising again when the U.S. economy recovered. The share of finished manufactured products other than automotive shows a gradual increase from 6.5 percent in 1960 to 11.5 percent in 1964 and has fluctuated between 11 and 12.5 percent ever since.

In contrast to finished manufactured goods, the share of inedible fabricated materials displayed a more-or-less continuous decline from 51.9 percent in 1960 to 30.4 percent in 1975 with a slight recovery over the next two years to 34.3 percent in 1977. (See Table 2.2 and Chart 2.1.) From being by far the dominant commodity group, inedible fabricated materials has declined while finished manufactured goods has increased to the point where their contributions are on a par with each other at about one-third of total commodity trade in current dollar terms.

The share of inedible crude materials in total merchandise trade displayed a moderate downward trend from 21.2 percent in 1960 to 18.1 percent in 1972 and then took a sharp jump to 24.6 percent in 1974 thanks primarily to the so-called "oil crisis". The share has since dropped to a more "normal" level of 20.3 percent in 1977 (See Table 2.2 and Chart 2.1).

TABLE 2.1

## CANADIAN MERCHANDISE EXPORTS TO ALL COUNTRIES, 1960 TO 1977

## BY MAJOR COMMODITY GROUP AND LEADING COMMODITIES

(millions of dollars)

Years	Food, Feed, Beverages and Tobacco Including Live Animals				Crude Materials, Inedible				Fabricated Materials, Inedible							
	Wheat		Animals & Other Edible Products		Ores & Concentrates		Crude Petroleum & Nat. Gas		Lumber		Woodchip					
	Total	Re-Exports	Total	Re-Exports	Total	Re-Exports	Total	Re-Exports	Total	Re-Exports	Total	Re-Exports				
1960	411	578	992	4	988	640	113	362	1,125	11	346	758				
1961	663	602	1,270	5	1,265	618	194	383	1,204	9	355	841				
1962	602	639	1,246	6	1,240	660	305	397	1,371	9	370	753				
1963	787	675	1,470	8	1,462	703	309	414	1,436	10	452	916				
1964	1,024	817	1,849	9	1,840	803	360	453	1,622	6	477	935				
1965	840	869	1,720	11	1,709	863	384	517	1,772	8	490	870				
1966	1,062	906	1,977	10	1,966	934	430	583	1,957	9	474	963				
1967	742	903	1,657	12	1,645	1,016	522	571	2,116	8	505	955				
1968	681	929	1,626	12	1,613	1,262	600	605	2,475	8	653	990				
1969	473	992	1,486	22	1,464	1,138	702	625	2,474	10	753	1,126				
1970	687	1,181	1,901	33	1,869	1,522	855	707	3,093	9	664	785				
1971	833	1,279	2,131	19	2,113	1,415	1,038	811	3,272	8	829	798				
1972	927	1,428	2,381	26	2,355	1,397	1,314	848	3,570	10	1,174	1,158				
1973	1,221	1,937	3,199	42	3,157	2,000	1,833	1,192	5,045	20	1,082	1,288				
1974	2,065	1,806	3,911	41	3,870	2,376	3,914	1,504	7,812	19	1,889	1,726				
1975	2,023	2,124	4,187	40	4,112	2,241	4,144	1,561	7,978	11	1,834	1,746				
1976	1,753	2,555	4,312	37	4,249	2,501	3,903	1,869	8,315	41	1,649	2,001				
1977	1,627	2,719	4,561	36	4,543	2,730	3,779	2,341	8,864	14	2,387	2,381				
Years	Food, Feed, Beverages and Tobacco Including Live Animals				Crude Materials, Inedible				Special Transactions				All Merchandise Exports			
	Other Fab. Materials		Motor Vehicles & Parts		Other Mach. & Equip.		Consumer Goods & Misc.		Total		Re-Exports		Domestic Exports		Total	
	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports	Re-Exports	Domestic Exports
1960	467	2,754	26	2,728	67	282	61	496	85	411	20	6	14	5,387	131	5,256
1961	473	2,759	22	2,777	47	391	68	606	100	506	16	4	12	5,695	140	5,555
1962	496	2,943	36	2,907	57	515	83	768	114	655	20	5	15	6,348	169	6,179
1963	572	3,350	43	3,307	88	589	102	894	115	779	31	6	25	6,980	182	6,798
1964	630	3,559	57	3,502	177	811	121	1,244	135	1,109	29	3	26	8,303	209	8,094
1965	736	3,786	57	3,729	356	811	133	1,460	160	1,300	29	5	24	8,767	242	8,525
1966	823	4,062	50	4,012	994	956	170	2,301	181	2,119	29	4	25	10,325	255	10,070
1967	858	4,286	56	4,229	1,739	1,166	211	3,333	217	3,116	29	6	23	11,420	300	11,120
1968	979	4,915	60	4,855	2,746	1,340	265	4,620	268	4,351	44	6	38	13,679	354	13,325
1969	1,028	5,240	78	5,163	3,514	1,459	345	5,632	314	5,318	39	4	35	14,781	428	14,353
1970	1,311	5,346	79	5,266	3,459	1,685	387	5,845	294	5,551	35	3	31	16,820	419	16,401
1971	1,333	5,916	120	5,797	4,171	1,659	363	6,469	276	6,193	32	1	31	17,397	423	17,074
1972	1,700	6,707	129	6,578	4,718	2,014	404	7,444	307	7,136	48	6	42	20,150	479	19,671
1973	2,171	8,328	164	8,224	5,415	2,435	516	8,738	352	8,387	50	5	45	25,421	583	24,838
1974	2,030	10,928	232	10,696	5,717	2,863	652	9,706	469	9,237	86	6	80	32,442	767	31,675
1975	2,855	10,074	190	9,884	6,432	3,399	642	11,008	536	10,473	81	3	79	33,328	780	32,549
1976	3,267	12,364	174	12,189	8,224	3,668	816	13,265	557	12,708	138	9	130	38,397	821	37,576
1977	4,459	15,059	134	14,925	10,339	3,946	832	15,792	675	15,117	75	7	68	44,375	870	43,506

TABLE 2.2  
DOMESTIC MERCHANDISE EXPORTS  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed Beverages & Tobacco <sup>2</sup>	Inedible Crude Materials	Petroleum & Gas	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products)	
		<u>Total</u>			<u>Total</u>	<u>Automotive</u>
				(percent)		
1960	18.8	21.2	2.1	51.9	7.8	1.3
1961	22.0	20.8	3.4	48.3	8.8	0.8
1962	20.1	22.0	4.9	47.1	10.6	0.9
1963	21.5	21.0	4.6	45.7	11.5	1.3
1964	22.7	20.0	4.4	43.3	13.7	2.2
1965	20.0	20.7	4.5	43.7	15.3	4.2
1966	19.5	19.3	4.3	39.8	21.0	9.9
1967	14.8	19.0	4.7	38.0	28.0	15.6
1968	12.1	18.5	4.5	36.4	32.7	20.6
1969	10.1	17.1	4.9	35.7	36.8	24.3
1970	11.4	18.8	5.2	35.8	33.8	21.3
1971	12.1	18.8	6.0	33.3	35.6	24.0
1972	12.0	18.1	6.7	33.4	36.3	24.0
1973	12.7	20.2	7.4	33.1	33.8	21.8
1974	12.2	24.6	12.4	33.8	29.2	18.0
1975	12.7	24.5	12.8	30.4	32.2	19.8
1976	11.4	22.0	10.5	32.4	33.8	21.9
1977	10.4	20.3	8.7	34.3	34.7	23.8

<sup>1</sup> Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.2 to 0.4 percent of the total over the whole period.

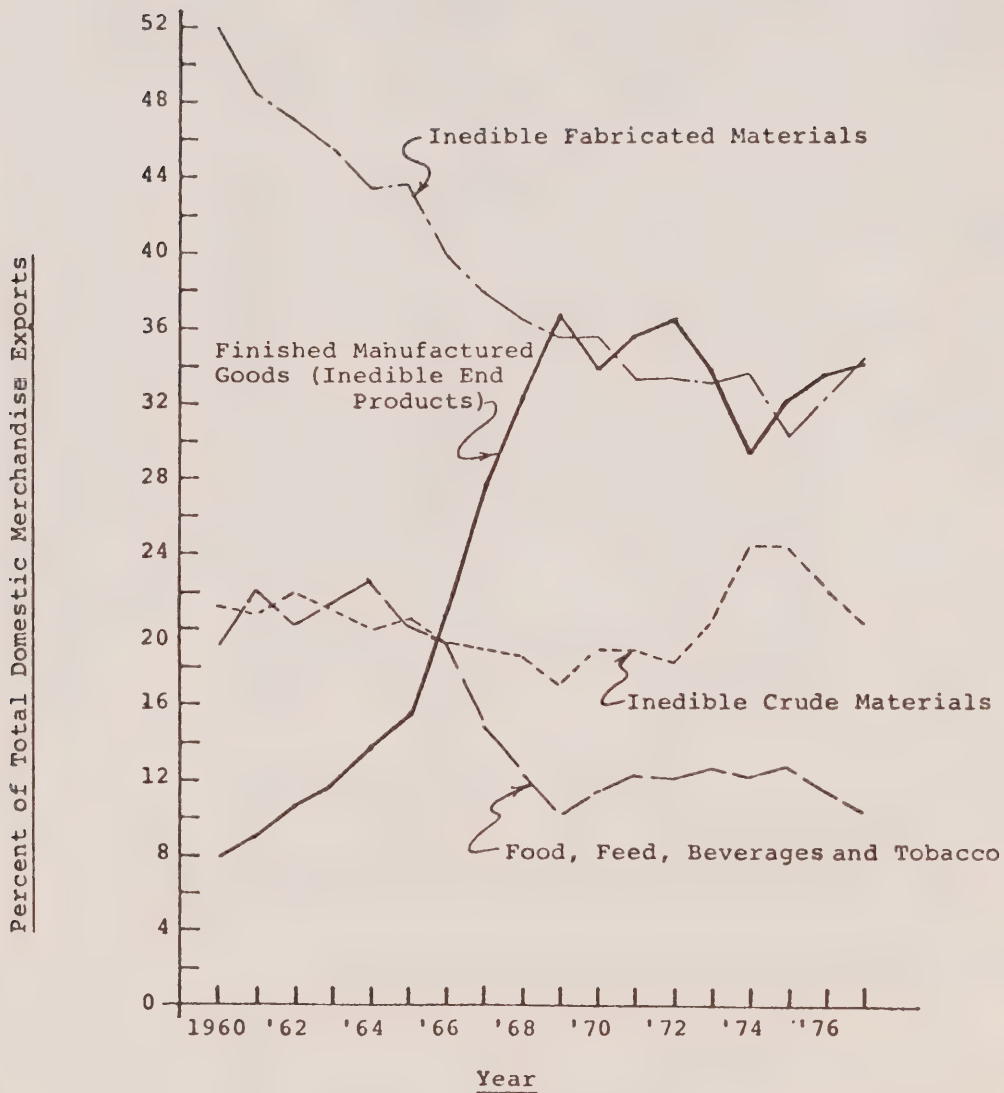
<sup>2</sup> Including live animals.

CHART 2.1

DOMESTIC MERCHANDISE EXPORTS

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977





### **2.3.2 Export Distribution by Volume**

The distribution of exports when the effects of price changes are allowed for, that is, the distribution of volume, and changes in that distribution differ from those involving current values in several respects. After closely following the trend in total export prices through the 1960's, the prices of finished manufactured goods, including automotive products, displayed a markedly lower rate of increase throughout the 1970's with a 45 percent rise between 1971 and 1977 compared to a 105 percent rise for all commodities combined (See Table 2.10). Consequently, unlike the share of trade measured in current dollars which, it will be recalled, showed a slight decline over the 1970-77 period with or without automotive products included, the share of real trade accounted for by finished manufactured goods steadily climbed from 34.3 percent in 1970 to 46.1 percent in 1977 (See Tables 2.3 and 2.4 and Chart 2.2). The impact of the Autopact is still quite evident in the volume data; however, it manifests itself more as a temporary acceleration in the steady upward climb of the real share of trade accounted for by finished manufactured goods rather than as a once-and-for-all increase in the share as appears to be the case with the share in current dollar terms.

The decline in the share of inedible fabricated materials evident in the value data is little affected by the removal of the effects of price change (See Table 2.4 and Chart 2.2). But because of the relatively better price performance of finished manufactured goods, the latter has displaced inedible fabricated materials as the dominant contributor to commodity trade in volume terms. As one might expect, when the price effects are removed from inedible crude materials the sharp increase displayed by the nominal share in 1974 as a result of oil price increases is not reflected in the real share (See Chart 2.2) and the contribution of inedible crude materials to total real commodity trade displays a fairly consistent downward trend from 1960 to 1977. As far as the food group is concerned, as with inedible fabricated materials, the removal of price effects does not alter the general pattern displayed by the value shares as can be seen in Chart 2.2

### **2.3.3 Distribution when Autos and Oil are Excluded**

At the beginning of this section, it was noted that two of the most striking features of the changing composition of Canada's merchandise trade were the dramatic increase in the contribution of automotive goods following 1965, and the sharp increase in the contribution of petroleum products in 1974. It is quite instructive to abstract from these two rather special factors and to take a look at the trade shares when automotive products and petroleum and natural gas are excluded as in Chart 2.3. The single most notable feature of these adjusted shares is the absence of the strong downward trend evident in the unadjusted share of inedible fabricated materials (Chart 2.1). The implication is that the sharply increased share of automotive products in the total came at the expense of fabricated materials while having little impact on the evolution of shares going to food, crude materials, and non-automotive end products.

TABLE 2.3

VOLUME INDEXES OF DOMESTIC MERCHANDISE EXPORTS

BY MAJOR COMMODITY GROUP, 1960 - 1977

(1971 = 100)

	<u>All Sections</u>	<u>Food, Feed, Beverages &amp; Tobacco</u>	<u>Crude Materials, Inedible</u>	<u>Fabricated Materials Inedible</u>	<u>End Products, Inedible</u>
1960	37.2	52.1	44.3	57.1	8.5
1961	40.4	64.0	47.0	58.6	10.1
1962	42.0	59.5	51.2	60.6	12.7
1963	46.0	70.5	52.8	64.3	15.0
1964	54.1	87.9	59.4	71.2	20.9
1965	56.1	80.2	62.4	75.0	24.1
1966	63.6	87.4	65.9	78.0	38.4
1967	68.9	72.4	70.3	80.8	55.0
1968	80.6	72.8	80.3	89.4	75.1
1969	85.7	68.7	78.4	91.0	90.4
1970	94.9	90.9	94.6	100.4	91.4
1971	100.0	100.0	100.0	100.0	100.0
1972	109.5	104.3	107.4	108.7	113.1
1973	120.0	100.2	125.7	116.6	130.0
1974	112.7	78.7	113.2	115.7	130.8
1975	103.4	85.0	97.2	93.2	133.5
1976	114.5	93.3	92.1	111.4	152.9
1977	121.9	108.3	85.7	122.8	168.7

Sources:

- Statistics Canada
- 1) CANSIM MATRIX 3716 for years 1968-1977 (index 1971=100)
  - 2) Summary of Exports (Catalogue 65-002)  
Issues of December for 1970 and 1972 to 1974 for years 1967-73  
(index 1968 = 100)
  - 3) Trade of Canada. Volume I - Summary and Analytical Tables  
(Catalogue 65-201)  
Issues of 1960-64 and 1966-68 for years 1960-68(index 1948=100)  
Department of Industry, Trade and Commerce (Economic Intelligence  
Group, Policy Analysis Branch)
  - 4) Laspeyres price indexes for 1948=100 and for 1968=100 linked to  
base year index 1971=100
  - 5) Paasche volume calculated by using Laspeyres price indexes on  
total values.

TABLE 2.4

VOLUME OF DOMESTIC MERCHANDISE EXPORTS:

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

	<u>Food, Feed, Beverages and Tobacco<sup>1</sup></u>	<u>Inedible Crude Materials</u>	<u>Inedible Fabricated Materials</u>	<u>Finished Manufactured Goods (Inedible End Products)</u>
	(percent)			
1960	17.2	22.7	51.9	8.2
1961	19.6	22.2	49.2	9.0
1962	17.4	23.1	48.6	10.9
1963	18.9	21.9	47.4	11.8
1964	20.1	21.0	44.8	14.1
1965	17.7	21.3	45.4	15.6
1966	16.9	19.7	41.5	21.8
1967	12.8	19.3	39.3	28.6
1968	11.1	18.7	37.0	33.2
1969	9.8	17.2	35.4	37.6
1970	11.7	18.7	35.3	34.3
1971	12.2	18.8	33.4	35.7
1972	11.6	18.4	33.1	36.8
1973	10.1	19.5	32.1	38.3
1974	8.2	18.3	33.3	40.2
1975	9.6	17.0	29.0	44.4
1976	9.4	14.4	30.9	45.3
1977	10.1	12.3	31.4	46.1

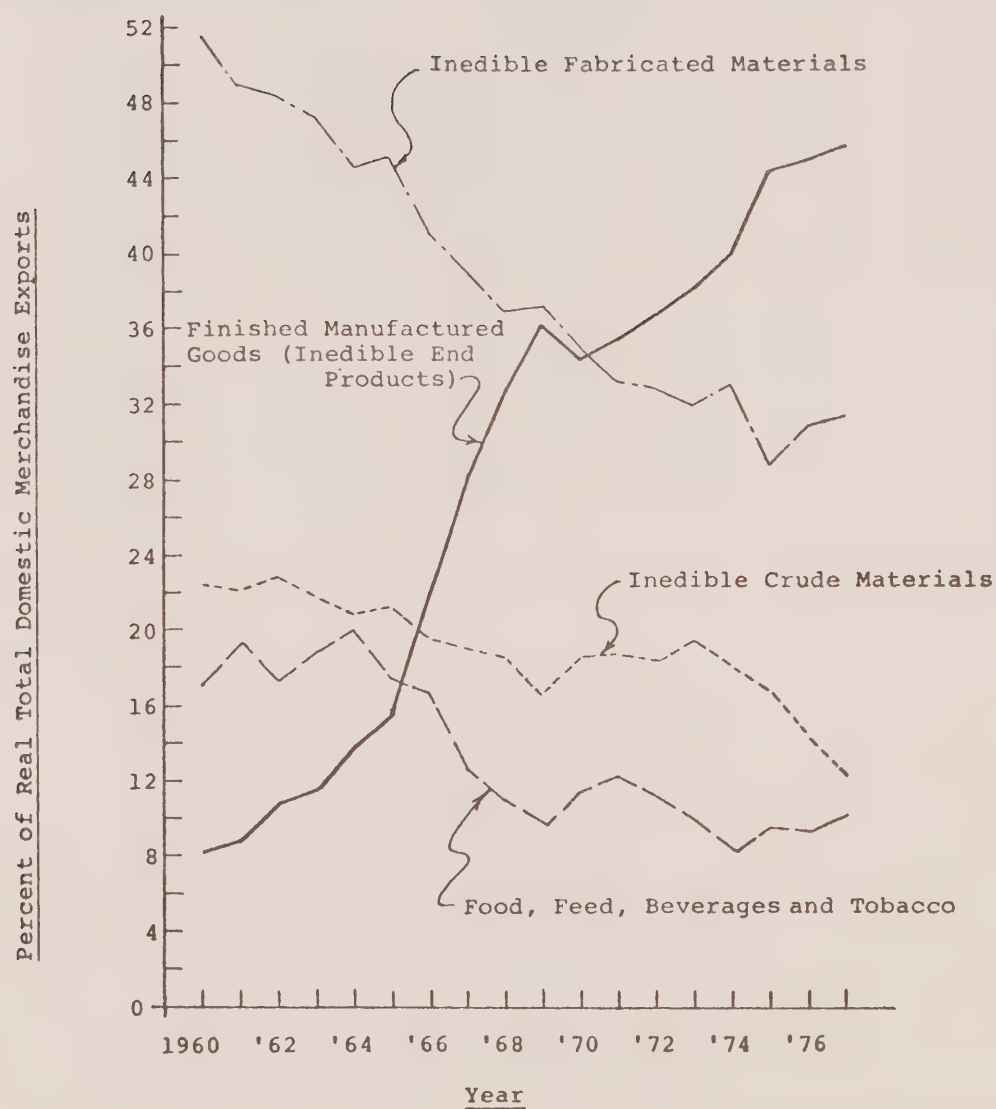
<sup>1</sup> Including live animals

**2.3.3. Distribution When Autos and Oil are Excluded**

At the beginning of this section, it was noted that two of the most striking features of the changing composition of Canada's merchandise trade were the dramatic increase in the contribution of automotive goods following 1965, and the sharp increase in the contribution of petroleum products in 1974. It is quite instructive to abstract from these two rather special factors and to take a look at the trade shares when automotive products and petroleum and natural gas are excluded as in Chart 2.3. The single most notable feature of these adjusted shares is the absence of the strong downward trend evident in the unadjusted share of inedible fabricated materials (Chart 2.1). The implication is that the sharply increased share of automotive products in the total came at the expense of fabricated materials while having little impact on the evolution of shares going to food, crude materials, and non-automotive end products.

CHART 2.2

VOLUME OF DOMESTIC MERCHANDISE EXPORTS:  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP  
1960 - 1977





A second feature, which is evident in the unadjusted shares as well, but which is emphasized in the adjusted shares, is the general lack of any significant trend in any of the shares in value terms over approximately the last 10 years. The general conclusion is that the distribution of Canadian merchandise exports among major commodity groups in value terms has been basically very stable, and that it takes a rather massive structural change, such as occurred in the auto industry and in energy, to alter that distribution.

In contrast, in volume terms, the evidence indicates a continuous shift in the distribution towards finished manufactured goods and away from all other commodities. The decline in the prices of finished manufactured goods relative to all other export prices implies that this shift in the real composition of exports arises not from demand shift but from the increased supplies of (relatively) lower cost technology intensive products.

## **2.4 DISTRIBUTION OF MERCHANDISE IMPORTS BY COMMODITY GROUP**

### **2.4.1 Import Distribution by Value**

As was the case with exports, there have been several significant changes in the commodity distribution of Canada's merchandise imports over the period 1960 to 1977. The distribution of imports differs from that of exports in that finished manufactured goods (inedible end products) constituted by far the largest share of imports throughout the 1960-1977 period, whereas inedible fabricated materials represented the largest contribution to total exports over the first half of that period, and then shared that position with finished manufactured goods over the latter half (See Tables 2.5 and 2.6 and Chart 2.4). Nevertheless, the change in the distribution of imports has been broadly similar to that in exports, to wit, the shares of merchandise imports accounted for by food and related products and by inedible fabricated materials have both declined, that by finished manufactured goods has increased and that by inedible crude materials has remained about the same (although the latter declined over the middle of the period). Again, the most striking features were: (a) a fairly dramatic increase in the share of finished manufactured goods over the middle of the period, attributable for the most part to the implementation of Autopact, and (b) a sharp rise in the share of inedible crude materials between 1972 and 1975 attributable to the rapid run-up in oil prices as was the case for exports.

CHART 2.3

DOMESTIC MERCHANDISE EXPORTS

EXCLUDING AUTOMOTIVE PRODUCTS AND PETROLEUM AND NATURAL GAS:

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

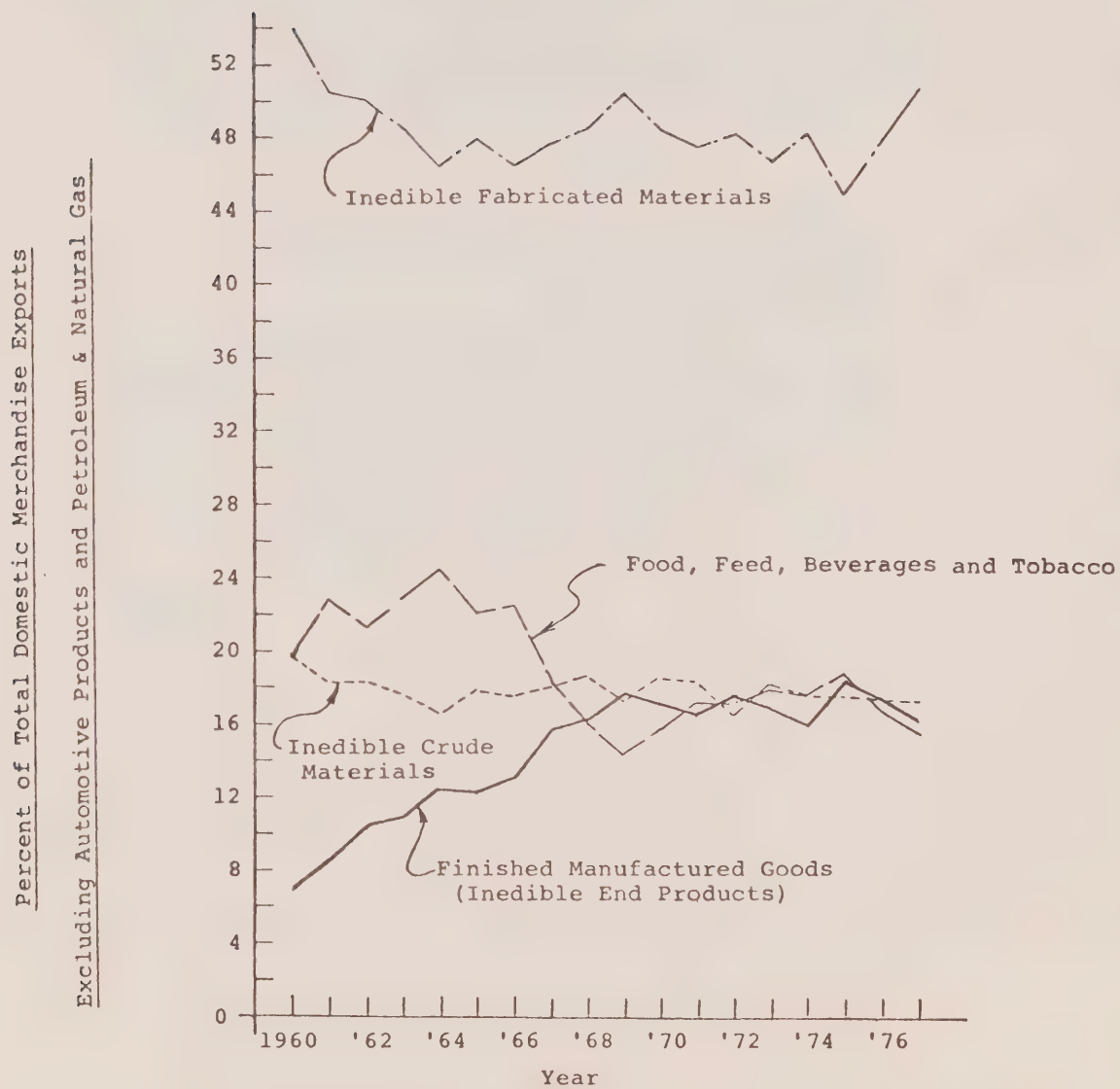


TABLE 2.5  
CANADIAN MERCHANDISE IMPORTS FROM ALL COUNTRIES, 1960 TO 1977  
BY MAJOR COMMODITY GROUP AND LEADING COMMODITIES

(Millions of Dollars)												
Year	Food, Feed Beverages and Tobacco including Live Animals	Crude Materials Inedible				Fabricated Materials Inedible	Motor Vehicles and Parts		End Products, Inedible		Special Transactions	Total Imports
		Crude Petroleum	Other				Machinery and Equipment	Miscellaneous	Products and Inedible			
			Crude	Materials	Total							
1960	592	280	465	745	1,335	582	1,571	572	2,726	94	5,483	
1961	629	291	472	763	1,388	528	1,740	619	2,887	101	5,769	
1962	664	305	522	826	1,489	625	1,888	638	3,151	127	6,258	
1963	780	335	563	897	1,571	669	1,882	621	3,172	137	6,553	
1964	795	320	640	961	1,813	818	2,190	693	3,701	218	7,438	
1965	770	312	694	1,006	2,114	1,125	2,573	778	4,476	267	8,633	
1966	805	299	724	1,023	2,233	1,581	3,048	854	5,483	322	9,866	
1967	883	355	707	1,062	2,310	2,168	3,341	1,040	6,550	269	11,075	
1968	918	373	756	1,129	2,435	3,001	3,477	1,142	7,620	259	12,360	
1969	1,063	393	692	1,085	2,905	3,546	4,031	1,308	8,885	192	14,130	
1970	1,116	415	757	1,172	2,885	3,252	3,992	1,375	8,618	161	13,952	
1971	1,157	541	781	1,322	3,140	4,110	4,237	1,485	9,832	167	15,618	
1972	1,400	681	859	1,540	3,579	4,934	5,184	1,829	11,948	202	18,669	
1973	1,981	941	1,076	2,016	4,282	6,081	6,477	2,240	14,797	247	23,323	
1974	2,516	2,646	1,426	4,073	6,482	7,124	8,414	2,824	18,362	289	31,722	
1975	2,682	3,302	1,784	5,086	5,944	8,237	9,295	3,147	20,579	325	34,716	
1976	2,871	3,280	1,811	5,091	6,211	9,400	9,632	3,744	22,776	495	37,444	
1977	3,308	3,209	2,096	5,306	6,999	11,396	10,587	4,139	26,122	421	42,156	

Source: Statistics Canada, Trade of Canada publications and CANSIM. Data are on a customs value basis.

TABLE 2.6

MERCHANDISE IMPORTS

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960--1977

	Food, Feed, Beverages & Tobacco <sup>1</sup>	Inedible Crude Materials----- Petroleum		Inedible Fabricated Materials	Finished Manufact. Goods (Ined..End.Prod.)		Special Trans- actions
		Total	& Natural Gas		Total	Automotive	
1960	10.6	13.6	5.1	24.4	49.7	10.6	1.7
1961	10.9	13.2	5.0	24.1	50.1	9.2	1.8
1962	10.6	13.2	4.9	23.8	50.3	10.0	2.0
1963	11.9	13.7	5.1	24.0	48.4	10.2	2.1
1964	10.6	12.8	4.3	24.2	49.4	10.9	2.9
1965	8.9	11.7	3.6	24.5	51.8	13.0	3.1
1966	8.0	10.2	3.0	22.2	56.5	15.7	3.2
1967	8.0	9.6	3.2	20.9	59.1	19.6	2.4
1968	7.4	9.1	3.0	19.7	61.7	24.3	2.1
1969	7.5	7.7	2.8	20.6	62.9	25.1	1.4
1970	8.0	8.4	3.0	20.7	61.8	23.3	1.1
1971	7.4	8.5	3.5	20.1	63.0	26.3	1.1
1972	7.5	8.2	3.6	19.2	64.0	26.4	1.1
1973	8.5	8.7	4.0	18.4	63.4	26.1	1.1
1974	7.9	12.8	8.3	20.4	57.9	22.5	0.9
1975	7.7	14.7	9.5	17.1	59.5	23.7	0.9
1976	7.7	13.6	8.7	16.6	60.8	24.9	1.3
1977	7.9	12.5	7.7	16.7	61.8	26.9	1.1

<sup>1</sup> Including live animals.

As with exports, it is instructive to look at the evolution of the various shares when automotive products and crude oil products are excluded. It will be recalled that when this was done for exports there were virtually no trends in the adjusted shares over the period 1967-1977. For imports the picture is a little different (See Chart 2.5) in that, even without automotive products, the contribution of finished manufactured goods shows a reasonably marked increase over the period, with the adjusted food share fairly constant and the shares going to inedible crude and inedible fabricated materials displaying moderate downward trends.



CHART 2.4

MERCHANDISE IMPORTS:

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

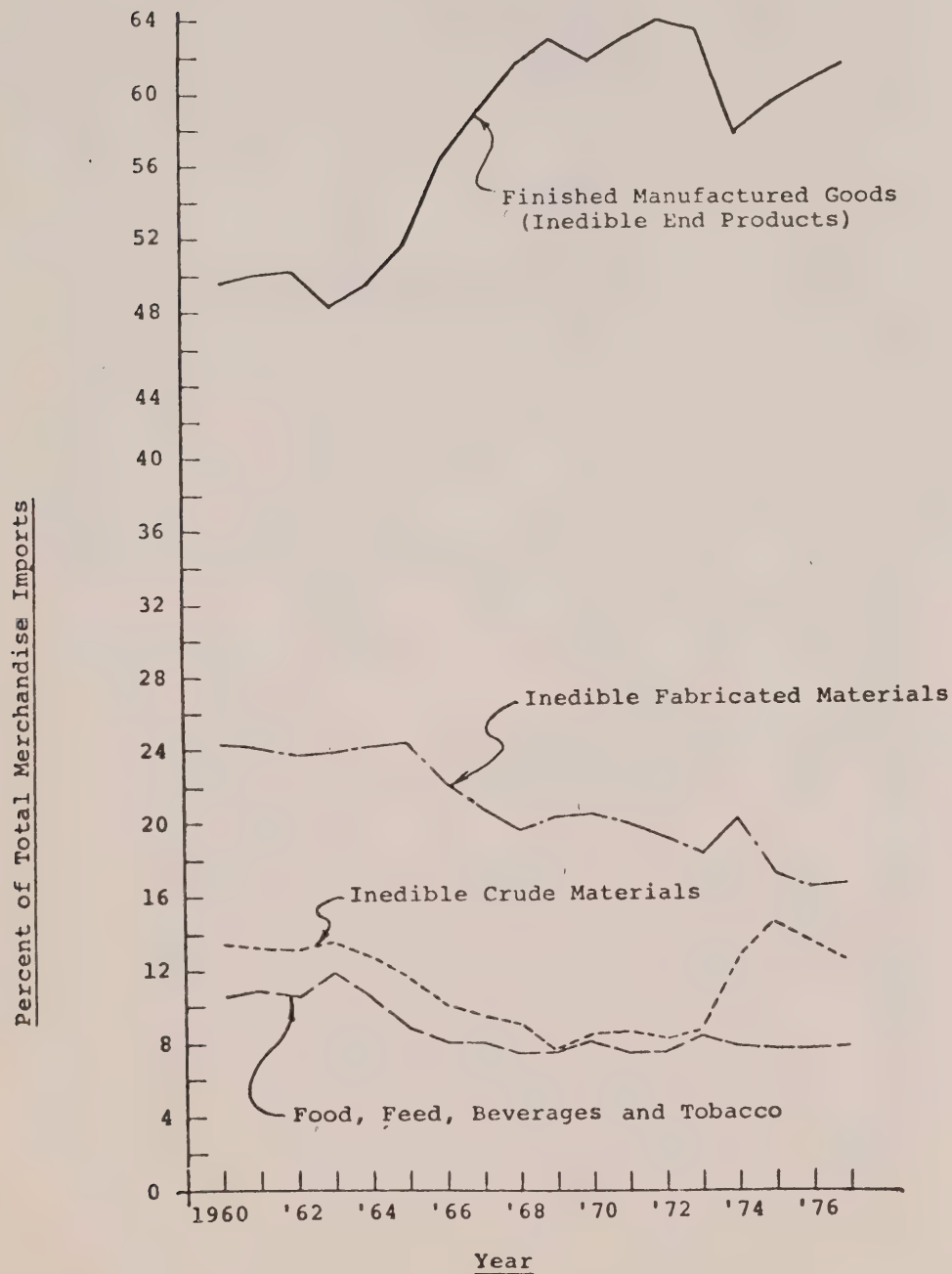


CHART 2.5

MERCHANDISE IMPORTS

EXCLUDING AUTOMOTIVE PRODUCTS AND CRUDE PETROLEUM:

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

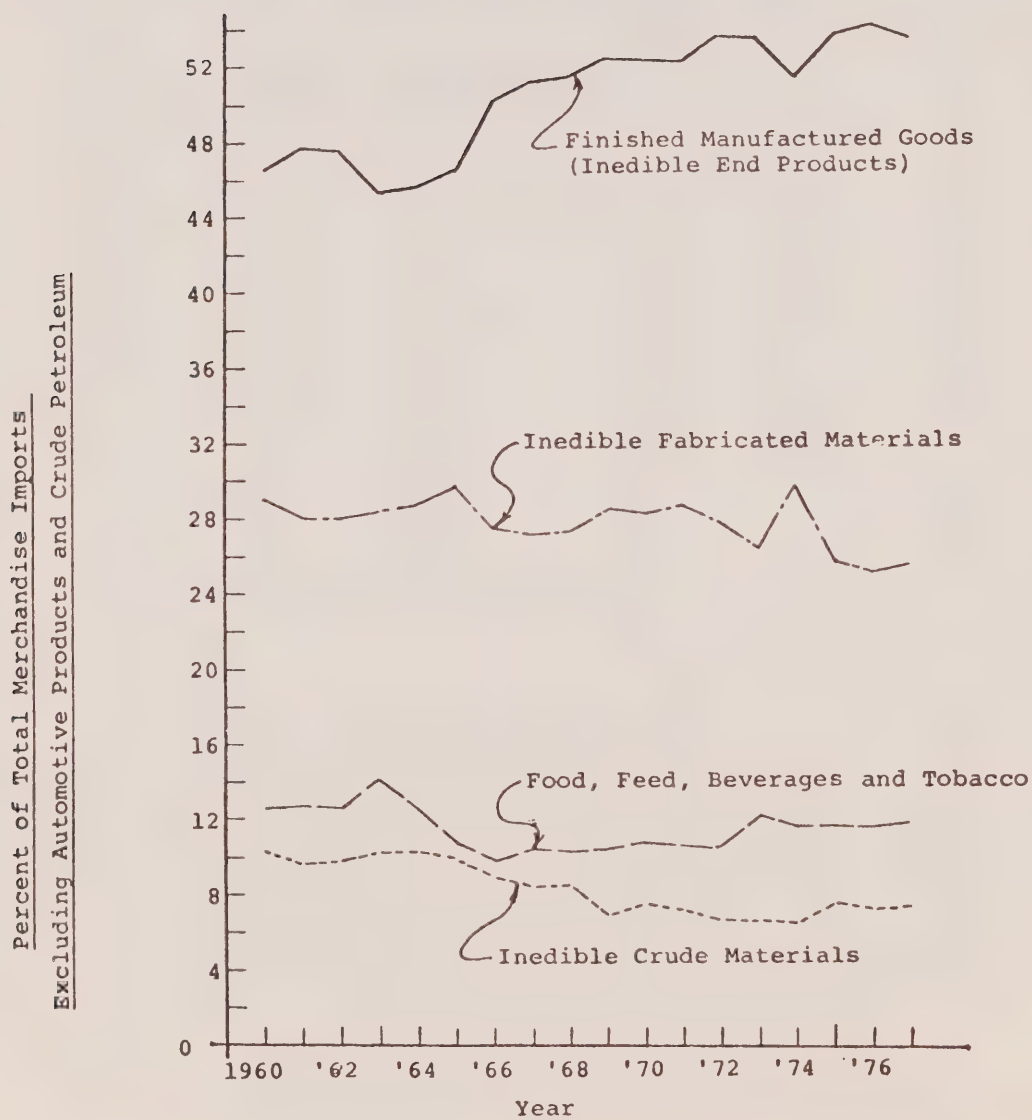


TABLE 2.7  
VOLUME INDEXES OF MERCHANDISE IMPORTS  
BY MAJOR COMMODITY GROUP, 1960 - 1977

(1971 = 100)

	<u>All Sections</u>	<u>Food, Feed, Beverages &amp; Tobacco</u>	<u>Crude Materials, Inedible</u>	<u>Fabricated Materials Inedible</u>	<u>End Products Inedible</u>
1960	43.5	59.8	71.3	50.0	35.9
1961	44.3	62.9	73.1	50.0	36.3
1962	46.1	64.2	76.0	51.8	37.6
1963	46.4	60.0	80.7	53.5	37.5
1964	52.5	61.7	85.6	60.7	43.2
1965	60.5	71.5	87.0	69.2	51.5
1966	68.2	76.2	86.2	72.9	61.9
1967	75.9	86.0	89.9	74.9	72.0
1968	82.9	87.1	94.9	77.8	81.6
1969	93.1	99.8	87.1	93.3	93.1
1970	90.7	99.0	92.0	92.2	89.3
1971	100.0	100.0	100.0	100.0	100.0
1972	116.5	110.8	109.4	115.5	119.0
1973	134.2	129.2	116.8	123.1	142.1
1974	142.1	126.4	109.6	132.1	160.7
1975	134.1	126.4	112.3	108.0	154.3
1976	141.4	143.6	106.1	112.5	164.6
1977	139.4	132.9	97.4	109.6	170.7

Sources: Statistics Canada

- 1) CANSIM MATRIX 3681 for years 1968-1977 (index 1971=100)
- 2) Summary of Imports (Catalogue 65-005)  
Issues of December for 1970 and 1972 to 1974 for years 1967-73  
(index 1968=100)
- 3) Trade of Canada, Volume I - Summary and Analytical Tables  
(Catalogue 65-201)  
Issues of 1960-64 and 1966-68 for years 1960-68 (index 1948=100)  
Department of Industry, Trade and Commerce (Economic Intelligence  
Group, Policy Analysis Branch)
- 4) Laspeyres price indexes for 1948=100 and for 1968=100 linked to  
base year index 1971=100
- 5) Paasche volume calculated by using Laspeyres price indexes on  
total values.

## 2.4.2 Import Distribution by Volume

The removal of the effects of price changes from the distribution of imports produces results similar to those achieved with exports. The volume shares for food, feed etc., inedible crude materials and inedible fabricated materials all show moderate but steady downward trends (see Tables 2.7 and 2.8 and Chart 2.6). In contrast, the contribution of finished manufactured goods to total real imports increased quite sharply from about 52 percent in 1963 to 73 percent in 1977. The bulge in 1974-75 in the value share for crude materials is noticeably absent in the volume share as one might expect given the rapid increase in oil prices in this period. In addition, the increased trade in automotive products following 1965 is reflected in the share of finished manufactured goods, but, as with exports, it is again displayed as a temporary acceleration in an otherwise strongly rising trend.

TABLE 2.8

### VOLUME<sup>1</sup> OF DOMESTIC MERCHANDISE IMPORTS:

#### PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

	<u>Food, Feed, Beverages &amp; Tobacco<sup>2</sup></u>	<u>Inedible Crude Materials</u>	<u>Inedible Fabricated Materials</u>	<u>Finished Manufactured Goods (Inedible End Products)</u>
	(percent)			
1960	10.3	14.0	23.1	52.6
1961	10.7	14.2	22.8	52.4
1962	10.5	14.3	22.8	52.4
1963	9.8	15.0	23.4	51.8
1964	9.0	14.2	23.6	53.2
1965	9.0	12.5	23.4	55.1
1966	8.5	11.0	21.8	58.7
1967	8.6	10.3	20.1	61.1
1968	7.9	9.9	19.0	63.2
1969	8.0	8.0	20.2	63.8
1970	8.2	8.7	20.4	62.7
1971	7.5	8.6	20.1	63.8
1972	7.1	8.0	19.9	65.0
1973	7.2	7.4	18.3	67.1
1974	6.4	6.4	18.0	69.3
1975	6.8	6.9	15.6	70.7
1976	7.3	6.2	15.3	71.2
1977	6.7	5.6	14.8	73.0

<sup>1</sup> Based on unpublished National Accounts data, Statistics Canada.

<sup>2</sup> Including live animals



CHART 2.6

VOLUME OF MERCHANDISE IMPORTS:

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP

1960 - 1977

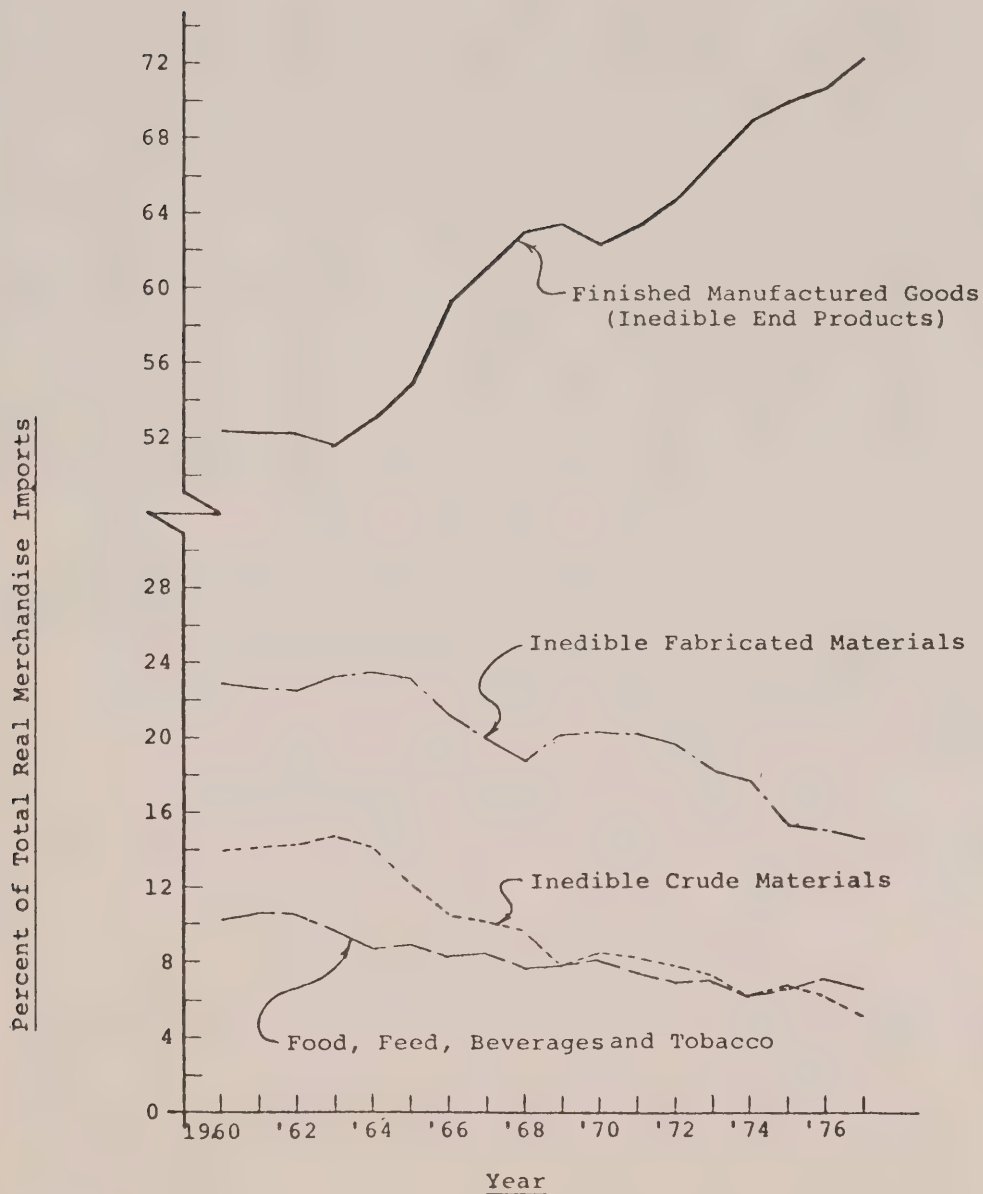


TABLE 2.9

CANADIAN MERCHANDISE TRADE BALANCE,  
CUSTOMS VALUE BASIS INCLUDING RE-EXPORTS:

1960 - 1977

(millions of dollars)

Years	Food, Feed, Beverages & Tobacco, Incl. Live Animals	Crude Materials Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions	Total
1960	410	380	1,419	-2,230	-74	-96
1961	641	442	1,411	-2,282	-85	127
1962	582	544	1,454	-2,382	-108	90
1963	690	538	1,579	-2,278	-107	422
1964	1,054	662	1,746	-2,458	-189	816
1965	950	766	1,671	-3,016	-237	134
1966	1,172	934	1,829	-3,183	-293	459
1967	773	1,054	1,975	-3,212	-240	345
1968	708	1,346	2,481	-3,000	-215	1,319
1969	423	1,388	2,335	-3,253	-153	741
1970	785	1,921	3,060	-2,772	-127	2,868
1971	975	1,950	2,776	-3,364	-135	2,202
1972	981	2,030	3,128	-4,504	-154	1,481
1973	1,218	3,028	4,107	-6,059	-197	2,097
1974	1,395	3,739	4,446	-8,657	-204	720
1975	1,505	2,892	4,130	-9,671	-240	-1,387
1976	1,441	3,224	6,152	-9,511	-357	952
1977	1,274	3,558	8,060	-10,330	-346	2,220

Source: Calculated using export and import data from Trade of Canada publications,  
Statistics Canada.

## 2.5 COMMODITY TRADE BALANCES

In order to better understand the contribution of various commodities to the overall merchandise trade balance, groups of commodity exports and imports are often added and subtracted to obtain so called "trade balances" on a customs valuation basis (Table 2.9)<sup>1</sup>.

As noted earlier, Canada's imports are heavily concentrated in the area of finished manufactured products (inedible end products), largely motor vehicles and parts. While Canada has greatly increased the share of finished manufactured products in total exports, it has not been enough to lower the traditional Canadian trade deficit in such products. The deficit has expanded by five times since the early sixties going from some \$2.3 billion to over \$10 billion in 1977. At the same time, however, the deficit as a proportion of total trade in this group (exports plus imports) has declined significantly dropping from 74 percent of total trade in 1960 to 22 percent in 1970, rising to 33 percent in 1974 and then declining again to 27 percent in 1977. While automotive imports have contributed to the rising deficit in finished manufactured goods, it has been the imports of other machinery and equipment, along with other end products, which have played a more important role. Further, the deficit of \$1.2 billion in automotive goods in 1977 was a combination of a surplus of \$1.8 billion in motor vehicles including chassis, in association with a deficit of \$3.0 billion in automotive parts, including engines. As is well known, however, the growing surplus in vehicles has not been sufficient to offset the faster growing deficit in parts.

In the sixties and seventies, trade in both automotive goods and energy materials clearly played an important role in Canadian trade. The changes noted above for automotive goods resulted from the implementation of the Canada/United States Automotive Products Agreement in 1965. In respect to energy materials, Canadian exports of crude petroleum and natural gas in the early sixties were not sufficient to offset our imports of crude petroleum. As a result of the implementation of a National Oil Policy in 1961, however, Canadian exploration and production of petroleum grew rapidly, and exports of crude petroleum and natural gas exceeded imports of crude petroleum for the first time in 1964 while exports of crude petroleum alone exceeded imports by 1966.

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<sup>1</sup> Such measures are not completely consistent with the annual balance of payments measures. To be so, a number of adjustments would have to be made to the customs data. These include timing adjustments to exports of crude petroleum, natural gas and wheat and to receipts and payments for capital equipment; the deduction of transportation charges included in the customs returns; and the reduction of import values calculated for customs duty purposes to values which reflect transaction prices.

In 1974, Canada's oil policy was changed to meet a changed energy situation and the re-evaluation of longer term trends in oil and natural gas reserves. Thus, in 1975, Canada again had a trade deficit in crude petroleum, going from a surplus of \$774 million in 1974 to a deficit of \$250 million in 1975. By 1977, the deficit in crude petroleum had reached \$1,472 million, but the deficits since 1975 were more than offset by surpluses in natural gas which reached \$2,029 million in 1977. Exports of crude petroleum to the United States are being gradually phased out and more and more domestic oil is being utilized in Canada, especially since the completion of the Sarnia to Montreal pipeline in mid-1976. Although the volume of natural gas exports to the United States was restricted somewhat in 1975, the existence of a short-term surplus has led to a moderate increase in shipments at higher prices.

## 2.6 PRICES AND THE TERMS OF TRADE

### 2.6.1 Export Prices

With regard to export prices, the years 1960 to 1977 can be divided into two very distinct periods (See Table 2.10). Up to 1972, the price measures for all the major commodity groups except food moved more or less together, with average increases in the order of 2.1 to 2.7 percent per year. Food prices jumped about 10 percent between 1960 and 1962 and then increased by another 8 percent or so between 1962 and 1972.

As a result of world wide shortages in a wide variety of commodities, the prices of food, feed, etc. and inedible crude materials soared after 1972. This in turn had an impact on fabricated material prices and they also rose sharply following 1972, but not quite as dramatically as raw material prices because of the dampening influence of the slower growth in other input prices. By the same token, increases in the prices of finished manufactured goods also accelerated sharply from 1973 onwards, but not as fast as those of fabricated materials, and with a lag - again there was the dampening effect of other input prices.

In 1975, the prices of food, feed, etc. started to decline and continued to decline to 1977. Inedible crude material prices, however, continued their upward march primarily as a result of rising oil prices. Rising energy costs also continued to help propel the prices of fabricated materials and finished goods upwards.



TABLE 2.10

PRICE INDEXES OF DOMESTIC EXPORTS BY MAJOR COMMODITY GROUP, 1960 - 1977

(1971 = 100)

	<u>All Sections</u>	<u>Food, Feed, Beverages &amp; Tobacco</u>	<u>Crude Materials Inedible</u>	<u>Fabricated Materials Inedible</u>	<u>End Products Inedible</u>
1960	81.2	89.7	77.0	82.4	78.3
1961	81.9	93.5	77.9	81.7	80.9
1962	84.6	98.6	81.5	82.7	83.2
1963	85.0	98.2	82.8	83.4	84.1
1964	86.0	99.1	83.4	84.8	85.5
1965	87.3	100.9	86.6	85.8	87.0
1966	91.0	106.5	90.5	88.7	89.1
1967	92.8	107.5	91.9	90.3	91.5
1968	95.0	104.8	94.1	93.7	93.5
1969	96.9	100.8	96.2	97.9	95.0
1970	99.3	97.3	99.9	100.8	98.1
1971	100.0	100.0	100.0	100.0	100.0
1972	103.3	106.9	101.5	104.4	101.9
1973	119.0	149.1	122.5	121.7	104.2
1974	161.5	232.8	210.9	159.4	114.0
1975	181.0	228.8	251.2	183.0	126.7
1976	188.6	215.6	275.3	188.8	134.2
1977	205.1	198.8	316.5	209.6	144.7

Source: Statistics Canada

- (1) CANSIM MATRIX 3716 for years 1968-77 (index 1971=100)
- (2) Summary of Exports (Catalogue 65-002)  
Issues of December for 1970 and 1972 to 1974 for years 1967-73 (index 1968=100).
- (3) Trade of Canada. Volume 1 - Summary and Analytical Tables (Catalogue 65-102)  
Issues of 1960-64 and 1966-68 for years 1960-68 (index 1948=100)  
Department of Industry, Trade and Commerce (Economic Intelligence Group, Policy Analysis Branch)
- (4) Laspeyres price indexes for 1948=100 and for 1968=100 linked to base year index 1971=100

## 2.6.2 Import Prices

The year 1972 was a watershed for import prices just as it was for export prices (See Table 2.11). From 1960 to 1972 the price measures for finished manufactured goods and for inedible crude materials increased at a modest pace in the neighbourhood of 2.7 to 2.9 percent per annum. Although the prices of the food group had roughly the same overall increase in the period 1960 to 1972, the performance was much more erratic. They rose sharply between 1960 and 1963 and then declined to 1967. They then

rose 23 percent between 1967 and 1972, and shot up over 97 percent between 1972 and 1977. Unlike exports, import food prices did not decline in 1975. They did drop in 1976 but rose sharply again in 1977. In contrast, the prices of inedible fabricated materials slowly decelerated between 1960 and 1973, averaging increases of only a little over one percent per year. As with exports, the import prices of inedible crude materials took off in 1973, together with food prices, and pulled the prices of fabricated materials and finished goods with them. Again, the increase in the prices of the latter was the smallest and occurred with a lag.

TABLE 2.11

PRICE INDEXES OF CANADIAN IMPORTS BY MAJOR COMMODITY GROUP, 1960 - 1977

(1971 = 100)

	<u>All Sections</u>	<u>Food, Feed, Beverage &amp; Tobacco</u>	<u>Crude Materials, Inedible</u>	<u>Fabricated Materials Inedible</u>	<u>End Products, Inedible</u>
1960	80.7	84.1	79.1	86.0	77.2
1961	83.3	86.4	78.9	89.4	80.9
1962	86.9	89.4	82.2	92.8	85.3
1963	90.4	112.4	84.1	94.6	86.1
1964	91.4	111.4	84.9	96.3	87.2
1965	91.4	93.1	87.5	98.4	88.4
1966	92.6	91.3	89.8	98.7	90.1
1967	93.4	88.7	89.3	99.3	92.5
1968	95.5	91.1	90.0	100.8	95.0
1969	97.2	92.0	94.3	100.3	97.1
1970	98.5	97.5	96.4	100.8	98.2
1971	100.0	100.0	100.0	100.0	100.0
1972	102.6	109.2	106.5	99.8	102.1
1973	111.3	132.5	130.6	112.1	105.9
1974	142.9	172.1	281.0	158.1	116.2
1975	165.7	183.3	342.6	177.3	136.3
1976	169.6	172.7	363.2	177.9	140.7
1977	193.7	215.1	412.1	205.8	155.6

Source: Statistics Canada

(1) CANSIM MATRIX 3681 for years 1968-1977 (index 1971=100)

(2) Summary of Imports (Catalogue 65-005)

Issues of December for 1970 and 1972 to 1974 for years 1967-73 (index 1968=100)

(3) Trade of Canada, Volume 1 - Summary and Analytical Tables (Catalogue 65-201)

Issues of 1960-64 and 1966-68 for years 1960-68(index 1948=100)

Department of Industry, Trade and Commerce (Economic Intelligence Group, Policy Analysis Branch).

(4) Laspeyres price indexes for 1948=100 and for 1968=100 linked to base year index 1971=100

## 2.6.3 Canadian Terms of Trade

### 2.6.3.1 Changes in the Terms of Trade

The commodity terms of trade<sup>1</sup> turned against Canada from 1960 to 1963, then moved continuously in our favour up to 1970 (Table 2.12). Following little change in 1971 and 1972, the terms of trade swung rapidly upward during the resources-price boom of 1973-74. Since then they have declined somewhat but are still well above the levels of the 1960's and early 1970's. Most of this decline occurred between the fourth quarter of 1976 and the fourth quarter of 1977, at the time the Canadian dollar was undergoing a sharp depreciation.

There is considerable variation in the indexes of terms of trade for the major commodity groupings. Since 1960 the most favourable terms of trade for Canada was in the food, feed, beverage and tobacco group. As wheat exports constitute a major proportion of this group, the cyclical nature of trading in wheat greatly influences Canadian terms of trade in food, feed, beverages and tobacco. The volume of Canadian wheat exports depends greatly on crop conditions in the Soviet Union and China, whereas price is influenced by the size of the current harvest and inventories in the major producing countries. From 1960 to 1972, Canada's terms of trade for commodities in the food, feed, beverages and tobacco group showed significant fluctuations reflecting the cyclical nature of foreign demand. In this period, the index varied from around 87 to 121. Poor harvests in 1972-73 in most producing regions generated unusually large price increases for wheat and other foodstuffs from late 1972 to 1974. Thus Canada's terms of trade in food, feed, beverages and tobacco moved strongly upward in 1973 and 1974 to a peak of 135.3. Thereafter, good harvests and rising inventories of wheat resulted in considerable weakness in wheat prices. However, adverse climatic conditions in Brazil in mid-1975 and in Mexico and the United States in early 1976 resulted in higher prices for coffee, fresh fruits and vegetables. This, along with the reduced value of the Canadian dollar, caused import prices to rise rapidly while Canadian export prices for foodstuffs were declining. As a result, the index of terms of trade declined to 92.4 in 1977.

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<sup>1</sup> Terms of trade is a measure of the purchasing power of exports in terms of imports; when export prices rise relatively to import prices, the terms of trade improve. The usual measure of the commodity terms of trade is an index calculated by dividing an index of export prices by an index of import prices.

TABLE 2.12

INDEX OF CANADA'S TERMS OF TRADE<sup>1</sup> 1960 - 1977

(1971 = 100)

	<u>All Sections</u>	<u>Food, Feed, Beverages &amp; Tobacco</u>	<u>Crude Materials Inedible</u>	<u>Fabricated Materials Inedible</u>	<u>End Products, Inedible</u>
1960	100.6	106.7	97.3	95.8	101.4
1961	98.3	108.2	98.7	91.4	100.0
1962	97.4	110.3	99.1	89.3	97.5
1963	94.0	87.4	98.5	88.2	97.7
1964	94.1	89.0	98.2	88.1	98.1
1965	95.5	108.4	99.0	87.2	98.4
1966	98.3	116.6	100.8	89.9	98.9
1967	99.4	121.2	102.9	90.9	98.9
1968	99.5	115.0	104.6	93.0	98.4
1969	99.7	109.6	102.0	97.6	97.8
1970	100.8	99.8	103.6	100.0	99.9
1971	100.0	100.0	100.0	100.0	100.0
1972	100.7	97.9	95.3	104.6	99.8
1973	106.9	112.5	93.8	108.6	98.4
1974	113.0	135.3	75.1	100.8	98.1
1975	109.2	124.8	73.3	103.2	93.0
1976	111.6	124.8	75.8	106.1	95.4
1977	106.6	92.4	76.8	101.8	93.0

<sup>1</sup> Based on Laspeyres price indexes.

From 1960 to 1968, the index of Canada's terms of trade in inedible crude materials moved steadily in our favour. From 1971 to 1975 they moved sharply against us. This unfavourable shift in the terms of trade in the inedible crude materials group is related to the fact that imports of crude petroleum bulk large in the group total compared to a smaller proportion for exports of crude petroleum and natural gas. The sharp increase in crude petroleum prices in late 1973 had an adverse effect on Canada's terms of trade in inedible crude materials, and our terms of trade in this group deteriorated sharply from 93.8 in 1973 to 75.1 in 1974. There has been a slight improvement in 1976 and 1977.

The terms of trade in the inedible fabricated materials group moved against Canada from 1960 to 1965 and then steadily in our favour up to 1972. The major sub-groups in the inedible fabricated materials group consist of such commodities as iron and steel, non-ferrous metals, chemicals (including fertilizers), wood and paper products. Prices for these products are set in international markets depending on economic activity in the major consuming countries. The upturn in economic activity



in 1971-73 took place in all major countries at about the same time. Most economies were operating at close to capacity and one of the results of strong international demand was that commodity prices, especially for primary and resource-based products - our major exports - escalated rapidly. Canada's terms of trade in inedible fabricated materials improved considerably in the period 1972 to 1974-75 and the ensuing upturn. Canada's terms of trade first weakened in 1974, turned in our favour in 1975 and 1976, and then declined again in 1977.

For finished manufactured goods (inedible end products), the terms of trade remained relatively unchanged from 1960 through to 1974. During the 1974-75 world-wide recession, Canada did not suffer to the same extent as in most other countries and imports continued to rise while exports declined. Import prices lagged behind export prices in the economic upturn in the early seventies and Canada's terms of trade did not decline until 1975. While there was some recovery in 1976 in line with improved export trade, there was a further mild deterioration in 1977 largely as a result of the devalued Canadian dollar.

#### **2.6.3.2 Effect of Changes on Trade Balance**

The importance of the gains accruing to Canada as a result of favourable terms of trade are brought out in Table 1.1 (Chapter I). While Canada had a merchandise trade surplus in current dollars in the years 1961 to 1975, in real terms, i.e. in constant 1971 dollars, Canada had a deficit also in 1965 and 1966 as well as all the years since 1975. With Canada's terms of trade down in the first quarter of 1978, the importance of maintaining a high volume of exports in relation to imports is quite clear. As noted earlier, the merchandise surplus in current dollars has been responsible for substantially offsetting Canada's large non-merchandise or services deficit in our balance of payments. Within the merchandise trade sector it has often been mentioned that Canada pays for its large trade deficit in end products with massive exports of resource-based products. While Canada's trade deficit in finished manufactured goods deteriorated from \$9.1 billion in 1974 to just over \$10 billion in 1975-76 and to over \$11 billion in 1977 (Table 2.9), the real deficit actually improved from \$7.7 billion in 1974 to \$6.4 billion in 1977. Thus the volume of exports of finished manufactured goods rose faster than imports, but the worsening terms of trade in this commodity group resulted in a continuing deterioration in terms of current values.



CHAPTER III

TRADE PERFORMANCE

BY

MAJOR INDUSTRIAL SECTOR

IN RELATION TO PRODUCTION





### CHAPTER III

#### TRADE PERFORMANCE BY MAJOR INDUSTRIAL SECTOR IN RELATION TO PRODUCTION

##### 3.1 INTRODUCTION

This chapter deals with Canadian trade performance by major industrial sector in relation to domestic production and Canadian market demand. The analysis is undertaken in a framework of industrial data based on the Standard Industrial Classification system. The commodity trade statistics, allocated to major industrial sectors such as agriculture, forestry, fishing and trapping, mining and manufacturing, are used to derive Canadian apparent domestic consumption by adjustments to gross output value. The commodity data are allocated to industrial sectors according to the degree of processing. For instance, refined metals are allocated to manufacturing rather than to mining since smelting and refining is a manufacturing process. Only mineral products which have not undergone any manufacturing process e.g. iron ore are allocated to mining.

Within this system it is possible to calculate three basic ratios which link trade (exports and imports) to Canadian output and consumption and, over time, to indicate the underlying trends. The first ratio, the ratio of output to the Canadian market, shows the degree of Canadian self-sufficiency by industrial sector, and also indicates the available export surplus, the approximate balance in trade or output and consumption, and finally the import gap of the domestic market. Secondly, the ratio of exports to domestic output - export orientation - shows to what extent Canadian output is directed to markets abroad. Thirdly, the ratio of imports to domestic market indicates the dependence of Canadian consumption on imports. In addition, the measures of export orientation and import penetration in combination show the overall extent to which Canadian production and consumption are trade oriented, specialized and interdependent with production and consumption abroad.

The sub-sections, therefore, trace the developments and the dynamics of Canadian trade in the broad sectoral structures indicating the effects of growth and major shifts in export/import performance, sector trade balances and trade orientation.

The data in this chapter cover the period from 1965 to 1977. The laborious task of allocating the commodity trade data to the industrial sector groups has not been undertaken for the years before 1965. The 1960-65 period saw a strong growth in exports of crude petroleum and of inedible end products both in automotive goods and others. It would appear that the trends identified in this chapter for the latter half of the 1960s were also true for the first half of the decade.

### 3.2 SUMMARY

Manufacturing has played an increasingly dominant role in the structure and developments of Canadian trade during the last decade and a half. The agricultural and mining sectors contributed, and continue to contribute, substantially larger shares of Canadian exports than was true of imports. The ratio of production to domestic consumption of the products of the major goods producing sectors did not change a great deal over the period, though cyclical fluctuations in both domestic and foreign demand played a significant role in modifying the results during periods either of generally buoyant economic conditions (1965-1970) or of dampened demand (1974-75).

The export orientation of the goods producing sectors increased from 19.3 percent in 1965 to about 27.3 percent in 1975 mainly due to increased export orientation of the mining and manufacturing sectors. The agricultural sector as well as fishing and trapping retained approximately the same degree of export orientation since the beginning of the period, while the primary forestry sector's export orientation declined.

At the same time, the Canadian economy also showed an increased gross dependence on imports. The import penetration of the Canadian market increased from 19.6 percent in 1965 to about 28.5 percent in 1975. Again, the source of the increased shares was mining and manufacturing with some contribution from the fishing and trapping sector. In the agricultural and forestry sectors, the ratios of import penetration remained relatively unchanged.

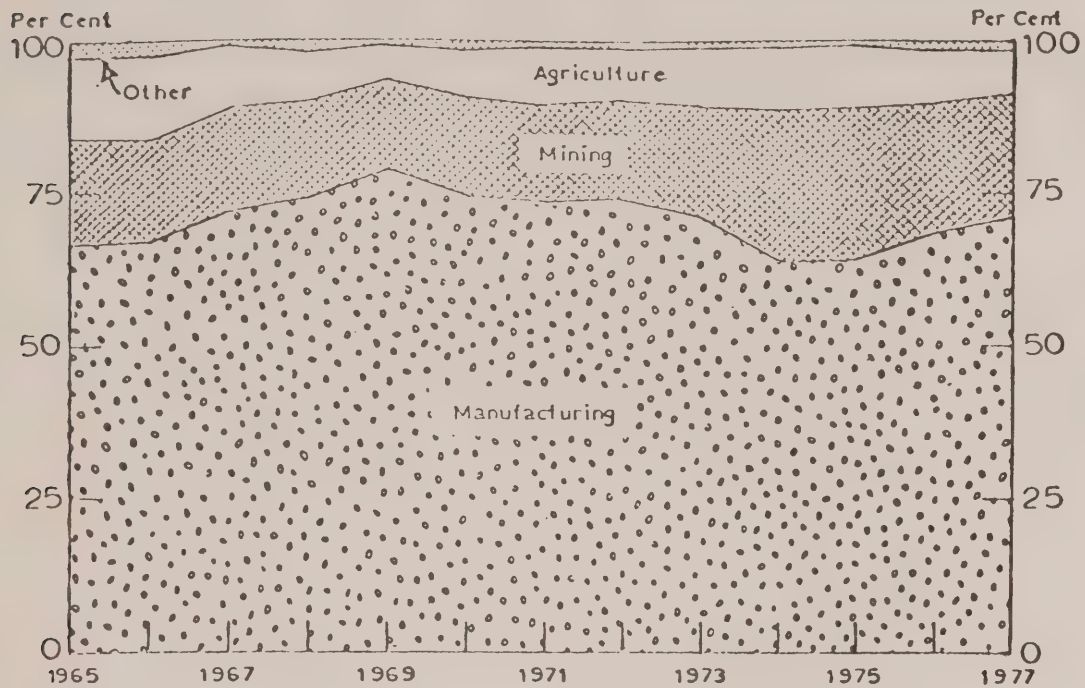
Thus, on balance, the Canadian economy between 1965 and 1975 continued to maintain roughly the same degree of self-reliance on its goods producing sectors, but experienced a higher level of trade involvement and interdependence because of the mining and manufacturing sectors where greater rationalization and specialization in production was achieved.

### 3.3 OVERVIEW

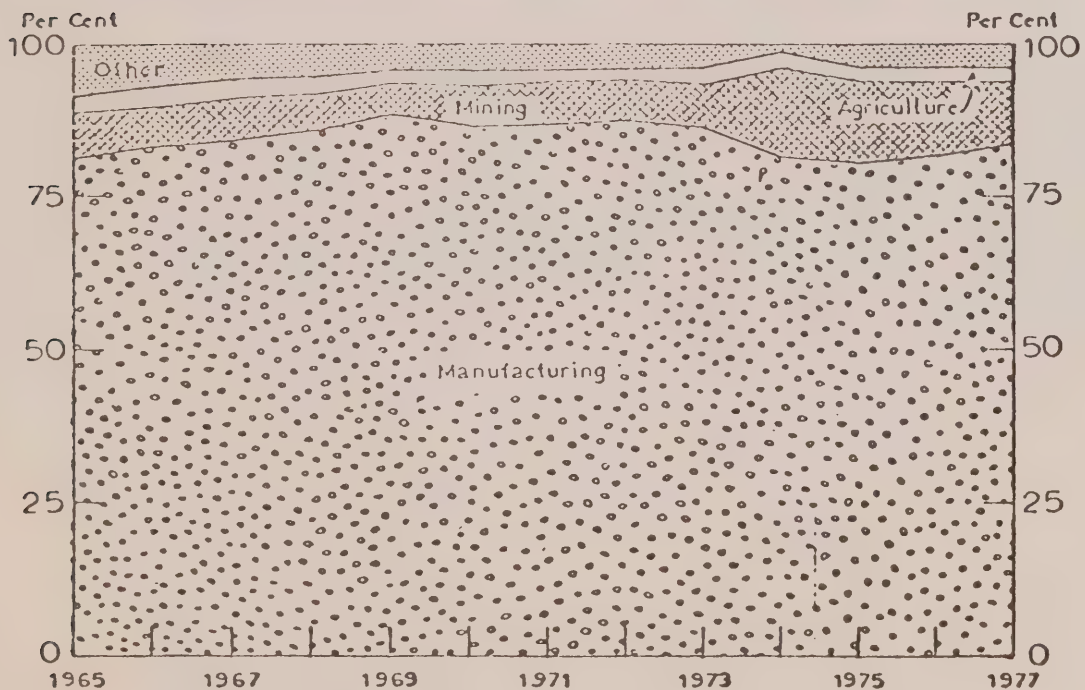
There are a number of obvious similarities and differences between exports and imports (See Charts 3.1 and 3.2). The most striking similarity is the dominance of the manufacturing sector. Over the 1965-1977 period, manufacturing accounted on average for 70.0 percent of total merchandise exports and 83.9 percent of imports. At the same time, Canadian exports received a much larger contribution from agriculture and mining (primary products) and consequently a smaller contribution from

CHART 3.1

A. VALUE OF CANADIAN DOMESTIC EXPORTS\* BY MAJOR SECTOR, 1965-77



B. VALUE OF CANADIAN IMPORTS\* BY MAJOR SECTOR, 1965-77

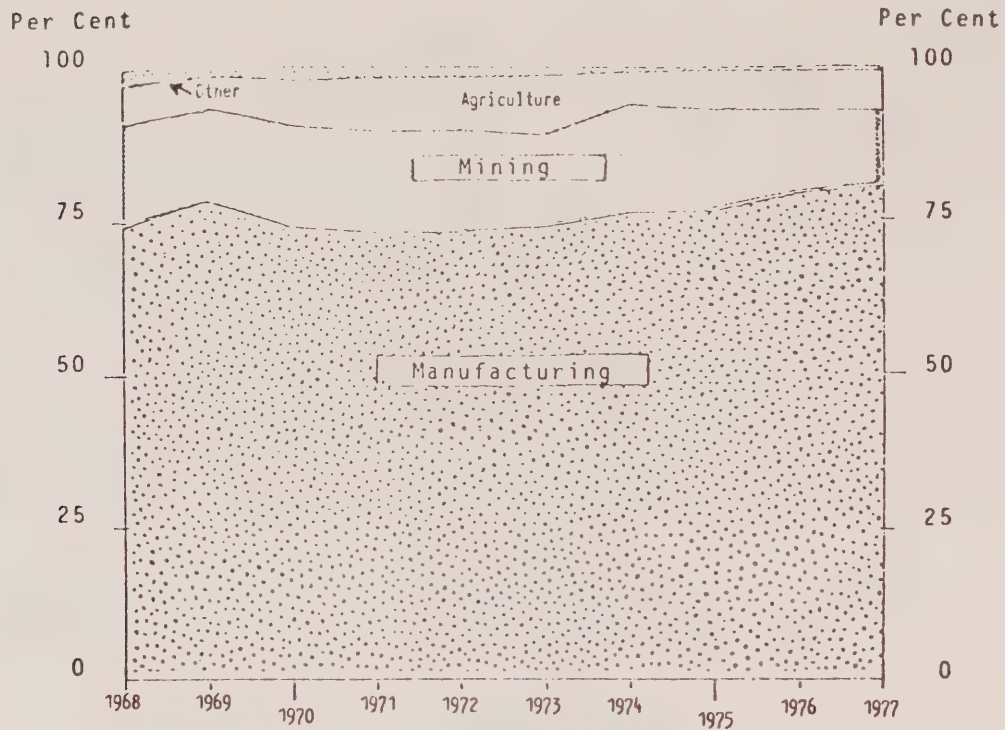


\* Domestic Exports, customs basis.

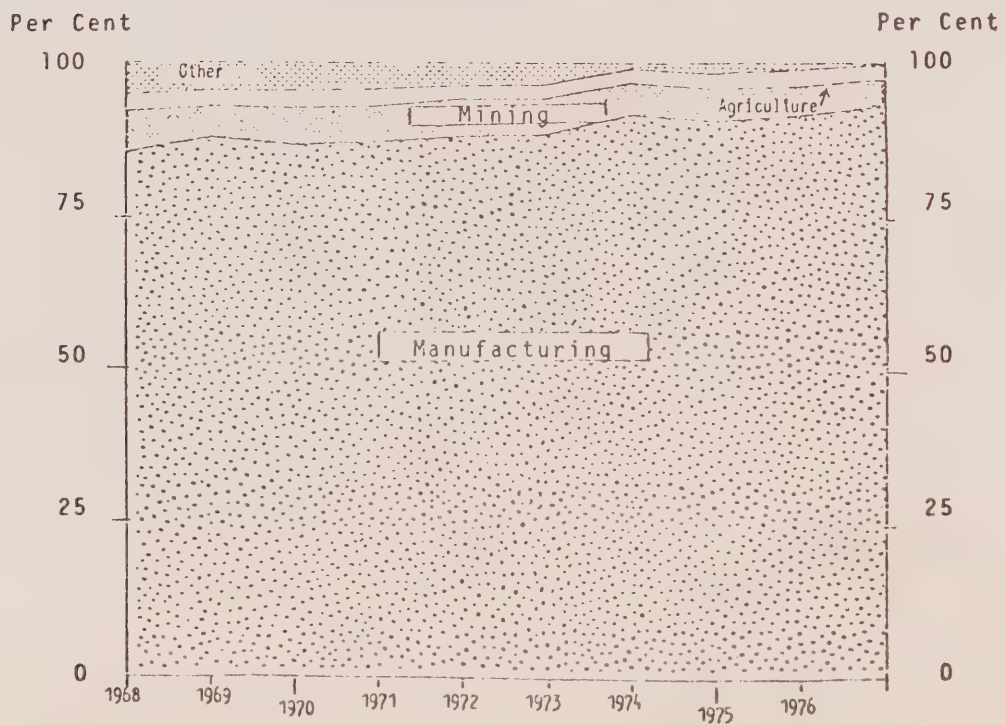


CHART 3.2

A. VOLUME OF CANADIAN DOMESTIC EXPORTS BY MAJOR SECTOR, 1968-77



B. VOLUME OF CANADIAN IMPORTS BY MAJOR SECTOR, 1968-77





manufacturing in contrast to imports. Secondly, the larger export shares for agriculture and mining generated export surpluses in contrast to manufacturing deficits. Also, between 1965 and 1977, the export surplus producing sectors of agriculture, forestry, fishing and trapping and mining experienced a slower average annual growth in their exports than their imports. Manufacturing, however, realized a slightly higher rate of growth in its exports in relation to imports.

### **3.4 EXPORT PERFORMANCE**

There were a number of changes in the structure of trade in the period 1965-1977. Agricultural exports accounted for 14.2 percent of exports in 1965 but declined to 7.0 percent in 1977 (See Table 3.1). A relatively rapid decline in the share of agriculture exports occurred between 1965 and 1969, followed by a gradual recovery from 5.6 percent in 1969 to 9.8 percent in 1974. The recent declines in agriculture's share can be explained by weaker wheat prices; volume has increased.

In mining, the gradual decline in export shares between 1965 and 1969 was more a reflection of the rapid growth taking place in manufacturing than anything in mining itself as mining exports continued to increase. From 1970 to 1972 mining export shares held their own, then increased in 1973 because of strengthening mineral prices, and again in 1974 and 1975 due to increased energy (petroleum) prices. However, policy-induced petroleum export cut-backs in 1976 and 1977 again reduced the relative export share from 23.8 percent in 1975 to about 20 percent in 1977.

In 1965, the manufacturing share of exports was about 66.0 percent but increased to 78.2 percent by 1969 due to the very rapid growth of automotive exports. Between 1970 and 1973, changes in the manufacturing shares were overshadowed by the relative gains in agriculture and mining, as the manufacturing share declined to 71.3 percent in 1973. The effects of oil prices and agricultural product prices (mainly wheat) in 1974 and 1975, combined with a cyclical downturn in demand for manufactured products, reduced the manufacturing share to about 65 percent. This share, however, increased in 1976 and 1977 to 68.3 and 71.0 percent respectively with the recovery in foreign demand and renewed strength in manufacturing exports.

TABLE 3.1

CANADIAN DOMESTIC<sup>1</sup> EXPORTS BY MAJOR SECTOR 1965 - 1977

(millions of dollars, percentage distribution)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Agriculture	\$ 1,208	1,450	1,109	1,019	805	1,201	1,484	1,605	2,215	3,065	3,112	2,988	3,042
	\$ 14.2	14.4	10.1	7.7	5.6	7.3	8.5	8.2	9.0	9.8	9.6	8.0	7.0
Forestry	\$ 52	55	56	55	41	67	47	34	31	49	46	50	71
	\$ 0.6	0.5	0.5	0.4	0.3	0.4	0.3	0.2	0.1	0.2	0.1	0.1	0.2
Fishing & Trapping	\$ 73	70	67	82	90	89	87	108	118	113	119	147	186
	\$ 0.9	0.7	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.4	0.4	0.4	0.4
Mining	\$ 1,450	1,614	1,805	2,133	2,091	2,657	2,866	3,198	4,387	7,332	7,693	8,060	8,573
	\$ 17.0	16.0	16.4	16.2	14.6	16.2	16.5	16.3	17.7	23.3	23.8	21.6	19.8
Manufacturing	\$ 5,624	6,748	7,950	9,686	11,207	12,172	12,719	14,427	17,632	20,349	20,959	25,477	30,745
	\$ 66.0	67.0	72.2	73.5	78.2	74.2	73.2	73.6	71.3	64.8	64.8	68.3	71.0
Total <sup>2</sup>	\$ 8,518	10,071	11,005	13,179	14,324	16,400	17,380	19,589	24,719	31,412	32,325	37,329	43,328
	\$ 100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> Re-exports not included<sup>2</sup> Items may not add to total due to rounding.

### **3.5 IMPORT PERFORMANCE**

The Canadian import structure over the 1965-1977 period is shown in Table 3.2. Imports of primary agricultural products, including fruit and vegetables, occupy a much smaller share than do exports of similar products. From 1965 to 1977, the share declined from 3.2 percent to about 2.2 percent. Forestry and fishing and trapping held very small and unchanged import shares throughout the period.

Mining, with an import share of 7.5 percent in 1965, followed by a declining trend to 5.0 percent in 1969, subsequently increased its share to 6.1 percent in 1970, then gradually to 6.4 percent in 1973. However, from 1974 on, the mining share of imports reflected increased oil and coal prices which increased the share 4 to 5 percentage points above previous levels. By 1977, mining's import share had reached 10.7 percent.

Manufacturing's share of imports increased from 80.8 percent in 1965 to 88.1 percent in 1969 mainly due, as with exports, to the Canada-United States Automotive Products Agreement. From 1970 to 1973, manufacturing's share changed only a little and held in the range of 86.5 to 87.5 percent. Energy pricing (crude oil) and the effect it had on increasing the mining share of imports reduced the manufacturing share to 80.6 percent by 1975. However, in 1976 and 1977 gradual increases in manufactured imports brought the share up to 81.8 and 83.1 percent respectively.

### **3.6 THE DYNAMICS OF SECTOR TRADE PERFORMANCE**

#### **3.6.1 Sector Growth**

The data for the period 1965 to 1975 reveal that agricultural and manufacturing output, expressed in current dollars, advanced at almost the same pace as the total output from the goods producing sector at slightly above 10 percent per annum. Growth in forestry and fishing and trapping production was 7.6 percent and 5.5 percent respectively and notably below the growth rate of production in the goods producing sector as a whole. Mining output, however, experienced much higher growth at 14.2 percent. Over the same period, both exports and imports grew faster than output at 14.3 and 14.8 percent respectively. The increasing trade involvement in both exports and imports was most apparent in mining and manufacturing and on the import side in fishing and trapping (Table 3.3).

TABLE 3.2

## CANADIAN IMPORTS BY MAJOR SECTOR 1965 - 1977

(millions of dollars, percentage distribution)

	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Agriculture	\$ 279	301	322	315	344	368	376	414	665	853	825	918	921
	% 3.2	3.0	2.9	2.5	2.4	2.6	2.4	2.2	2.9	2.7	2.4	2.5	2.2
Forestry	\$ 29	24	27	29	29	30	33	52	53	72	65	63	67
	% 0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Fishing & Trapping	\$ 5	5	4	6	9	7	9	14	22	27	28	37	42
	% 0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Mining	\$ 655	699	745	826	704	849	979	1,143	1,493	3,402	4,477	4,357	4,499
	% 7.5	7.0	6.7	6.6	5.0	6.1	6.3	6.1	6.4	10.8	12.9	11.6	10.7
Manufacturing	\$ 7,045	8,215	9,381	10,617	12,444	12,090	13,586	16,333	20,190	27,032	27,901	30,629	34,925
	% 80.8	82.4	83.9	85.0	88.1	86.7	87.0	87.5	86.6	82.3	80.6	81.8	83.1
Total <sup>1</sup>	\$ 8,715	9,971	11,184	12,493	14,131	13,940	15,611	18,668	23,303	31,639	34,636	37,437	42,032
	% 100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>1</sup> May not add up due to rounding



TABLE 3.3

GOODS PRODUCING INDUSTRIES<sup>1</sup>

## GROWTH AND TRADE MEASURES

Industry	Average Annual Rate of Growth 1965 - 1975			Canadian Market <sup>2</sup>	Shipments Can. Market		Export Orientation		Import Penetration	
	Exports	Imports	Gross Output		1965	1975	1965	1975	1965	1975
	(percent)						(percent)			
Total Goods Producing	14.3	14.8	10.4	10.6	99.6	98.1	19.3	27.2	19.6	28.5
Agriculture	9.9	11.5	10.0	10.2	127.6	125.7	28.2	27.8	8.3	9.3
Forestry	-1.2	8.4	7.6	8.0	102.0	99.1	4.1	1.9	2.5	2.6
Fishing, Trapping	5.0	16.6	5.5	6.6	152.8	137.8	37.6	35.8	4.7	11.6
Mining	18.2	21.2	14.3	14.0	132.8	135.6	45.0	62.9	27.0	49.6
Manufacturing	14.1	14.7	10.1	10.5	96.0	92.7	16.6	23.7	20.0	29.2

1 51 1

<sup>1</sup> Customs basis, construction excluded<sup>2</sup> Output less exports plus imports (domestic disappearance)

The data also indicate that, for mining and manufacturing, total demand increased at a faster rate than the domestic market and thus supported trade growth. In addition, higher rates of growth in the Canadian market in relation to output in all sectors but mining contributed to slightly higher import growth.

### 3.6.2 Sector Trade Balances

The data in Table 3.4 clearly indicate to what extent the various sectors produced an export surplus or opened an import gap. Except for forestry, the primary sectors of agriculture, fishing and trapping and mining show substantial export surpluses throughout the period 1965-1975. A small import gap opened in forestry in 1972 and is accounted for by enlarged imports of non-indigenous species of wood in the round for manufacture of veneer, panel products and furniture, and by reduced exports of pulpwood and chips as a result of provincial policies.

The large manufacturing sector, however, shows a long standing import gap averaging about 2.5 percent of the Canadian market, and varying with demand and competitive conditions existing in external markets. In 1970, manufacturing trade had an exceptional surplus. In that year, relatively depressed demand conditions at home were accompanied by reduced imports but export sales continued to increase and exceeded imports by a small margin. At the other extreme, in 1975 a cyclical decline in foreign demand reduced our export growth while manufacturing imports, due to the strength of domestic demand generally and for investment goods in particular, continued their growth and resulted in a significantly enlarged deficit.

In the period 1965-1977, the manufacturing deficit rose from \$1.2 billion in 1965 to \$2.7 billion in 1977 (see Table 4.1). At the same time, however, the deficit in 1965 represented 9.4 percent of manufacturing trade "turnover" (exports plus imports) and in 1977 about 4.1 percent, which would suggest that, in relative terms, the manufacturing deficit has in one sense improved even though it has increased in nominal dollar terms.

### 3.6.3 Export Orientation and Import Penetration

In total, the export orientation of goods production increased notably faster between 1965 and 1970 than in the more recent period as shown in Table 3.5. This resulted from increased shares of production sold abroad in the manufacturing and mining sectors, despite declining shares exported from agriculture. Forestry and fishing and trapping remained relatively stable in their export trade performance. As indicated earlier, the Canada-U.S. Automotive Trade Agreement contributed the main thrust to manufacturing exports in this period. From 1970, however manufacturing shares stabilized and declined in 1974 and 1975 due in part to demand conditions abroad and in part to the completion of the transition phase in the realigned automotive industry. The export shares of mining production continued to advance, moderately in 1971 and 1972 but very sharply in 1974 due to the sharp increases in crude oil prices. Agricultural exports increased their export orientation in this period although it fell off somewhat in 1975 as wheat prices declined.

TABLE 3.4

GOODS PRODUCING SECTORS<sup>1</sup>

	<u>OUTPUT</u>	<u>VALUE</u>	<u>IN</u>	<u>RELATION</u>	<u>TO</u>	<u>CANADIAN</u>	<u>MARKET<sup>2</sup></u>
	<u>Total</u>	<u>Agriculture</u>	<u>Forestry</u>	<u>Fishing and Trapping</u>	<u>Mining</u>	<u>Manufacturing</u>	
						<u>A<sup>2</sup></u>	<u>B<sup>3</sup></u>
1965	99.6	127.6	102.0	152.8	132.8	96.0	96.5
1966	100.2	130.3	102.5	142.8	136.6	96.3	96.9
1967	99.6	120.0	102.1	147.7	138.2	96.4	97.3
1968	101.3	115.9	101.8	153.5	145.2	97.8	98.9
1969	100.3	109.9	100.7	158.7	146.0	97.4	98.7
1970	104.2	120.6	102.3	153.9	159.9	100.2	101.5
1971	102.8	126.8	100.9	151.7	156.9	98.3	99.8
1972	101.3	126.1	99.0	154.7	157.1	96.7	98.1
1973	101.6	123.8	99.1	135.8	156.3	96.3	97.8
1974	99.8	129.7	99.2	133.3	154.0	93.6	95.2
1975	98.1	125.7	99.1	137.8	135.6	92.7	94.3
1976						95.0	96.3
1977						96.3	97.6

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<sup>1</sup> Excluding construction

<sup>2</sup> Canadian market calculated using data for domestic exports and for imports on a customs value basis.

<sup>3</sup> Canadian market calculated using data on a balance of payment basis for total exports i.e. including re-exports and using data on a balance of payments basis for imports.

It should be emphasized that all of the comments made on exports and export orientation with regard to a particular sector refer to the direct exports of the output of that sector. The data for a particular sector do not include output used as inputs by another sector (most notably manufacturing) which are subsequently exported as part of that sector's output. This point is particularly important with regard to the primary sectors of which forestry is probably the best example. The trade data (direct exports) show the export orientation of forestry as averaging 3.0 percent over the period under review (Table 3.5). One might conclude from this that foreign trade is not very important to our forestry industry, but such a view would not in fact be justified. Data on indirect exports are unfortunately not available for the entire period under review, but Statistics Canada's Structural Analysis Division has prepared a study, based on their input/output model, which does provide such data for 1971. For direct exports, the StatCan study shows an export orientation of 3.2 percent for forestry in 1971 (compared to our 2.9 percent). The study also shows that an additional 65 percent of forestry output is exported indirectly as part of the exports from other sectors. Obviously foreign trade is extremely important to our forestry industry even though they are not heavily engaged directly in that trade.

The import penetration of the Canadian market increased gradually over the entire period from 19.6 percent in 1965 to 28.5 percent in 1975 (See Table 3.6). In general, the import shares of the domestic market were less than 3 percent for forestry and up to 10-12 percent for agricultural products and fishing and trapping. The highest rates of domestic market penetration at this level of aggregation show up in the mining sector followed by manufacturing. While mining also exhibits very high export orientation and traditionally earns an export surplus, it nevertheless is very dependent on raw material imports, especially for metal and mineral ores, concentrates and fuels not in abundance in Canada, or in certain areas of Canada. Examples are bauxite, phosphates, coal and crude oil. Historically, overland transportation for coal and crude oil has acted as an economic barrier to the higher utilization in the East of domestic resources from the West and tended to encourage both exports and imports.

Over time, import penetration in mining was about 27.0 percent in 1965 changing moderately up to 1973. Table 3.6 shows the cyclical effects in 1969-70 when domestic demand reduced import dependence to somewhat lower levels, and 1971-1973 when economic activity accelerated. In 1974 and beyond, import penetration increased sharply from 29.1 percent in 1973 to 46.9 percent in 1974, reflecting substantial increases in petroleum and coal import prices. As a result, in 1975 the mining sector showed roughly a half of domestic market requirements being served by imports, and exceeding the manufacturing sector import penetration by a sizeable 20 percentage points.



TABLE 3.5  
GOODS PRODUCING SECTORS<sup>1</sup>

EXPORT ORIENTATION

	<u>Total</u>	<u>Agriculture</u>	<u>Forestry</u>	<u>Fishing and Trapping</u>	<u>Mining</u>	<u>Manufacturing</u>
1965	19.3	28.2	4.4	37.6	45.0	16.6
1966	20.7	20.4	4.3	32.3	47.2	18.1
1967	21.7	23.5	4.1	34.4	47.1	20.4
1968	24.0	19.8	3.8	27.6	50.8	23.0
1969	24.1	15.8	2.5	41.1	47.5	24.4
1970	27.1	24.6	4.1	38.0	51.9	26.2
1971	26.7	28.3	2.9	38.0	55.1	25.3
1972	27.0	27.9	1.8	40.6	56.6	25.7
1973	27.8	27.5	1.2	32.4	54.6	26.4
1974	28.5	31.7	1.8	32.8	65.5	24.7
1975	27.2	27.8	1.9	35.8	62.9	23.7
1976						25.8
1977						28.1

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<sup>1</sup> Excluding construction

TABLE 3.6  
GOODS PRODUCING SECTORS<sup>1</sup>

IMPORT PENETRATION

	<u>Total</u>	<u>Agriculture</u>	<u>Forestry</u>	<u>Fishing and Trapping</u>	<u>Mining</u>	<u>Manufacturing</u>
1965	19.6	8.3	2.5	4.7	27.0	20.0
1966	20.5	8.0	1.9	3.3	27.9	21.1
1967	22.9	8.2	2.0	3.0	26.9	23.2
1968	23.9	7.1	2.0	4.2	28.6	24.7
1969	23.8	7.4	1.8	6.5	23.4	26.4
1970	24.9	9.1	1.9	4.6	26.5	26.1
1971	24.6	9.1	2.0	6.0	29.6	26.6
1972	26.1	9.1	2.7	8.1	31.8	28.1
1973	26.6	10.2	2.1	8.2	29.1	29.2
1974	28.7	11.4	2.6	10.5	46.9	29.5
1975	28.5	9.3	2.6	11.6	49.6	29.2
1976						29.5
1977						30.7

---

<sup>1</sup> Excluding construction

In manufacturing, import penetration increased steadily from 20.0 percent in 1965 to 29.2 percent in 1973. Again, the Canada-U.S. Automotive Products Agreement, which stimulated rationalization of North American automob-ile production and the two-way trade of automotive goods, was mainly responsible for this trend. From 1973 to 1977, the import penetration of the Canadian market for manufactured goods stabilized and increased only slightly to 30.7 percent in 1977.

In summary, the measures of export orientation and import penetration at the overall level of goods producing trade reveal an increasing propensity of these sectors to trade. The gradually rising proportions of output exported, as well as higher shares of domestic consumption served by imports, indicated continuing specialization in production and interdependence with our trading partners.

CHAPTER IV

MANUFACTURING TRADE PERFORMANCE

IN RELATION TO PRODUCTION





## CHAPTER IV

### MANUFACTURING TRADE PERFORMANCE

#### IN RELATION TO PRODUCTION

#### 4.1 INTRODUCTION

The previous chapter dealt with the trade performance of the major industrial sectors of the Canadian economy including manufacturing. This chapter looks at manufacturing and its significant major groups, and relates the trade performance to output (shipments) and the Canadian market (apparent consumption) in a similar fashion, but at a lower level of aggregation. The weight of both manufacturing production and trade clearly demonstrate the importance of manufactured products to the overall Canadian trade performance. Similarly, several key industry groups within manufacturing play a major role in the manufacturing structure and its dynamic development.

The second section of this chapter is devoted to the manufacturing sector as a whole, while the third section contains an analysis of the trade measures and retains a group specific focus. In the first section, the data are on a balance of payments basis<sup>1</sup> so that the manufacturing trade balance (surplus or deficit) could be related to the total merchandise trade balance using the generally accepted format. In the remainder of the chapter the data are retained on the customs basis, but the commodities have been regrouped and allocated to the SIC industry groups so that the trade data could be related to domestic production and shipments in the standard industrial classification framework.<sup>2</sup>

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<sup>1</sup> Merchandise trade data are classified by commodity and valued on a "customs basis". In order to make the trade data consistent with the other financial flows in the balance of payments, Statistics Canada make certain adjustments to the trade data (see Footnote 1, p. 36, Chapter II). For the purposes of this first section, these adjustments were allocated to the major industrial sectors and those for manufacturing are shown in Table 4.2.

<sup>2</sup> Because of differences in concept, valuation and coverage, such a regrouping can only provide approximate correspondence between the trade data and the production and shipment data. In most cases such approximations are quite satisfactory, while in others, e.g. non-ferrous smelting and refining, they are quite unsatisfactory. In addition, the trade data represent unduplicated values while shipments contain varying degrees of double counting. For this and other reasons, trade will generally be understated relative to domestic shipments.

## **4.2 MANUFACTURING TRADE AS A WHOLE**

### **4.2.1 Balance of Payments Basis**

The manufacturing sector, on a balance of payments basis, had a turnover of \$66.3 billion in 1977, \$31.8 billion for exports and \$34.5 billion for imports, and a deficit of \$2.7 billion on the trade balance. During the period 1965 to 1977, manufacturing exports increased by 15.2 percent per annum and imports by 14.2 percent.

The export orientation of manufactured products rose from 17.2 percent in 1965 to 29.0 percent in 1977. At the same time, the import penetration of manufactured imports in the Canadian market advanced from 20.1 percent in 1965 to 30.7 percent in 1977. These developments indicate an increased trade involvement, interdependence and specialization of Canadian manufacturing over the period.

The ratio of shipments to the Canadian market, which displayed an import gap of 3.5 percent for manufactured goods in 1965, also slightly improved as it reached 97.6 percent in 1977 and closed the import gap to 2.4 percent. Within the period 1965 - 1977, the ratio of shipments to the Canadian market gradually improved to 1970, when it showed a small export surplus, then declined to 94.3 percent by 1975 due to the international recession, but resumed an ascending trend in 1976 and 1977 with the recovery of external demand.

Tables 4.1 and 4.2 show the adjustments that have been made to the customs value data to arrive at the balance of payments data. Chart 4.1 shows certain relevant ratios also on a balance of payments basis.

### **4.2.2 Customs Value Basis**

Manufacturing trade on a customs basis reflects very similar trends, ratios and growth rates to the balance of payments measures. One major difference lies in the manufacturing trade deficit which, on a customs basis, is moderately higher throughout the period. Also, the adjustments made to convert the data from a customs basis to a balance of payments basis tend to affect the levels of exports to a greater degree than imports and are somewhat more significant in the more recent period in comparison to the sixties.

The analysis of the major groups within manufacturing (20 major SIC groups) reveals a high concentration of exports in five major groups accounting for roughly 80 percent of all manufactured products sold abroad. These are: the pulp and paper, primary metals, food and beverages, wood products and transportation equipment industries. The high concentration of manufacturing exports for this latter group continued throughout the 1965 - 1977 period but its structure changed dramatically due to the very dynamic nature of the transportation equipment group as a result of the Canada - United States Automotive Products Agreement. Exports in this group increased from 10.4 percent of total manufacturing exports in 1965 to 35.5 percent in 1977 while recording a very rapid 27.0 percent average annual rate of growth over the period.

TABLE 4.1

## CANADIAN MANUFACTURING TRADE

(millions of dollars)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977 <sup>P</sup>
Domestic													
Exports - Customs Basis	5,624	6,748	7,950	9,686	11,207	12,172	12,719	14,427	17,632	20,349	20,959	25,477	30,750
Re-Exports	242	255	299	354	428	419	424	479	583	767	779	818	870
Total Exports - Customs Basis	5,866	7,003	8,249	10,040	11,635	12,591	13,143	14,906	18,215	21,116	21,738	26,295	31,620
Adjustment to B.O.P. Basis *	-38	10	-53	-83	136	82	38	-71	-132	-67	86	-73	174
Total Exports B.O.P. Basis	5,828	7,013	8,196	9,957	11,771	12,673	13,181	14,835	18,083	21,049	21,824	26,222	31,794
Imports - Customs Basis	7,045	8,215	9,381	10,617	12,444	12,090	13,566	16,333	20,190	26,032	27,901	30,629	34,925
Adjustment to B.O.P. Basis *	-6	30	-100	-196	-59	-83	-304	-397	-598	-775	-729	-583	-412
Total Import B.O.P. Basis	7,039	8,245	9,281	10,421	12,385	12,007	13,282	15,936	19,592	25,257	27,172	30,046	34,513
Trade Balance - Customs Basis	-1,179	-1,212	-1,132	-577	-809	501	-443	-1,427	-1,975	-4,916	-6,163	-4,334	-3,305
Adjustment to B.O.P. Basis	-32	-20	47	113	195	165	342	326	466	708	815	510	586
Trade Balance - B.O.P. Basis	-1,211	-1,232	-1,085	-464	-614	666	-101	-1,101	-1,509	-4,208	-5,348	-3,824	-2,719

<sup>P</sup> Preliminary

\* The Canadian Balance of International Payments, Statistics Canada, Catalogue 67-201, Table 5 and selected adjustments from Table 4.2 of this document.

TABLE 4.2

## TRADE IN MANUFACTURED GOODS - ADJUSTMENTS\* TO B.O.P. BASIS

(millions of dollars)

	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977
<u>Exports</u>													P
Automotive Prod.	-	-	-57	-91	-112	-54	-53	-68	-86	-66	-132	-98	-
Civil Aircraft	5	22	6	-20	-9	-6	-	-	-	-	-	-	-
Defence Goods	-42	-9	2	28	52	-12	39	-35	-	-	-	-	-
Freight							-206	-228	-296	-336	-310	-358	-395
Canada - U.S. Reconciliation							56	77	129	92	135	95	106
Other	-1	-3	-4	-	-2	-2	43	10	-23	56	38	288	463
Gold					207	156	159	173	144	187	355		
Total	-38	10	-53	-83	136	82	38	-71	-132	-67	86	-73	174
<u>Imports</u>													
Automotive Products	-	-	-129	-147	-83	-95	-80	-84	-93	-125	-110	-44	-
Civil Aircraft	12	50	30	-33	-11	4	-19	9	48	-90	-50	-1	-
Defence Goods	1	1	-2	5	-	24	32	-	-	-	-	-	-
Freight							-64	-78	-99	-91	-92	-99	-110
Canada - U.S. Reconciliation							-240	-300	-485	-629	-599	-692	-730
Other	-19	-21	1	-21	-29	-30	1	-10	-18	-12	-25	253	428
Gold					64	14	66	66	49	172	147		
Total	-6	30	-100	-196	-59	-83	-304	-397	-598	-775	-729	-583	-412
Net B.O.P. Adjustment	-32	-20	47	113	195	165	342	326	466	708	815	510	586

P Preliminary

\* The Canadian Balance of International Payments,

Statistics Canada, Catalogue 67-201, Table 5 and arbitrary proportion allocated

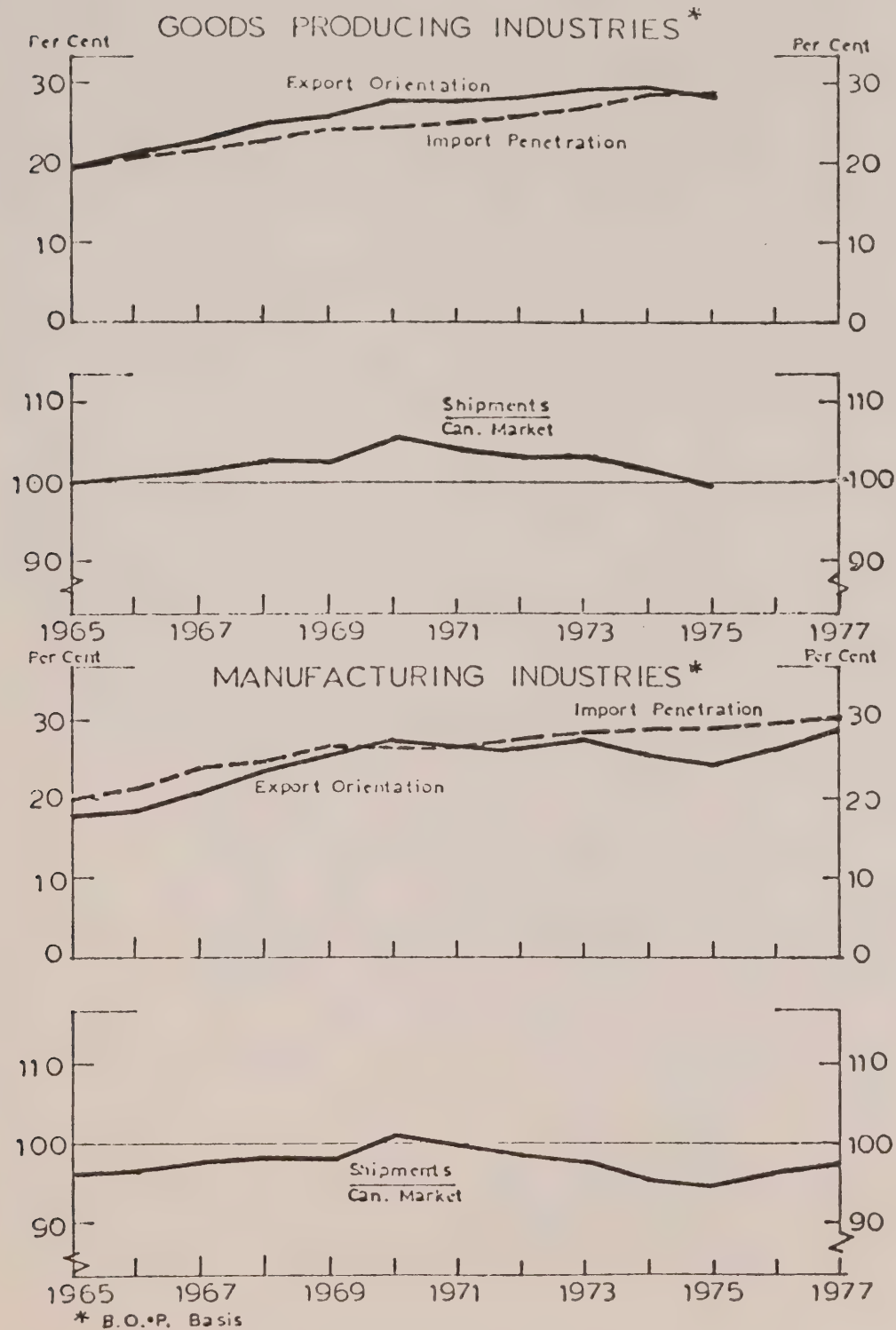
to manufacturing: Freight - Exports 90%, Imports - All

Canada - U.S. reconciliation - Exports 68%, Imports - All



CHART 4.1

GOODS PRODUCING INDUSTRIES AND MANUFACTURING



Tables 4.3 to 4.5 show the value, distribution and growth in the major sales indicators for each of the industry groups.

Manufactured product imports were somewhat less concentrated than exports with only the transportation equipment group and the machinery industries having larger than a 10 percent share of manufactured imports. These two groups accounted for 40 to 50 percent of manufactured imports over the period. Chemicals, electrical and electronic products and miscellaneous products industries together held an additional 20 percent share. The structural changes in manufactured imports were less pronounced than for exports, though the import share of the transportation equipment group increased from about 20 percent in 1965 to close to 35 percent in 1977, again due primarily to the Canada-U.S. Automotive Products Agreement.

At the level of total manufacturing, the derived trade measures indicate that the import gap for manufactured products is of the same order of magnitude in 1977 (3.7 percent) as it was in 1965 (4.0 percent). During the period, the import gap fluctuated due to competitive and cyclical demand factors abroad and in the Canadian market.

At the major group level, great variations are apparent in a relative improvement or deterioration in the ratio of shipments to the Canadian market. Notable improvements were shown by the transportation equipment, wood products and pulp and paper, primary metals and petroleum and coal product industries. Six groups had unchanged positions in 1977 relative to the 1965 base. These include tobacco products, machinery and non-metallic mineral product industries, textiles, printing and publishing and metal fabricating industries. Significant deterioration in this ratio and, hence, in the development of a large import gap, took place in knitting, leather and miscellaneous manufacturing groups where the ratio of shipments to the Canadian market declined by 18 to 24 percent in the 1965 - 1977 period. Other sectors experienced relatively smaller drops in this ratio, i.e. a less significant increase in the import gap.

Generally, the measures of export orientation and import penetration increased during the period. This indicates a greater trade involvement of Canadian manufacturing production with the export/shipment ratio rising from 16.6 percent in 1965 to 28.1 percent in 1977. Import penetration of the Canadian market increased from 20.0 percent in 1965 to 30.7 percent in 1977. This resulted in only a slightly changed ratio of shipments to the Canadian market between 1965 and 1977, and it could be concluded that the rise in export orientation for manufactured products was just about offset by the advance in import penetration at the level of total manufacturing.

At the major group level, the less than proportional changes in export orientation and import penetration are reflected in the ratio of shipments to the Canadian market and led to relative improvements, no change or deterioration in each group as indicated above. It should be

TABLE 4.3

## DISTRIBUTION OF DOMESTIC EXPORTS, IMPORTS AND SHIPMENTS FOR MANUFACTURING

## BY MAJOR INDUSTRY GROUP

(percent)

	1965			1965 - 1977 Average			1977		
	<u>Domestic Exports</u>	<u>Imports</u>	<u>Shipments</u>	<u>Domestic Exports</u>	<u>Imports</u>	<u>Shipments</u>	<u>Domestic Exports</u>	<u>Imports</u>	<u>Shipments</u>
Manufacturing	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food and Beverages	11.1	5.5	19.0	7.1	5.2	18.2	6.8	5.5	17.4
Tobacco	*	*	1.1	*	*	1.0	*	*	0.9
Rubber and Plastics	0.5	1.5	2.0	0.6	1.9	2.3	0.7	2.0	2.3
Leather	0.2	0.7	1.0	0.2	0.9	0.8	0.2	1.0	0.6
Textiles	0.8	5.5	3.6	0.6	3.5	3.1	0.6	2.9	2.7
Knitting	0.1	0.4	0.9	*	0.9	0.8	*	0.9	0.7
Clothing	0.3	0.7	3.1	0.5	0.9	2.8	0.4	1.0	2.5
Food industries	11.0	1.1	4.4	8.4	1.2	4.9	9.6	1.1	5.5
Furniture	0.2	0.4	1.5	0.3	0.5	1.6	0.3	0.6	1.4
Paper and Allied	25.5	1.3	8.5	17.7	1.2	8.3	16.2	1.2	8.1
Printing and Publishing	0.2	2.2	3.2	0.3	1.8	3.2	0.3	1.7	3.1
Primary Metals	21.2	8.0	8.4	13.9	5.1	7.8	11.9	3.8	7.5
Metal Fabricating	1.0	4.5	7.3	1.3	3.8	7.0	1.5	3.7	6.7
Machinery	6.2	22.2	3.6	6.4	18.0	3.8	6.6	17.0	3.6
Transportation Equipment	10.4	19.9	11.4	32.6	32.1	13.0	35.5	34.6	13.6
Electrical Products	2.7	6.4	5.6	2.8	6.9	5.3	2.3	7.1	4.7
Non-Metallic Min. Prod.	1.0	2.5	3.1	0.8	1.7	2.9	0.9	1.6	2.9
Petroleum & Coal Prod.	0.2	2.5	4.2	0.9	1.3	5.5	0.7	0.9	7.6
Chemicals	5.1	7.8	5.8	3.8	6.4	5.7	4.3	6.7	5.9
Miscellaneous	2.0	6.6	2.1	1.7	6.5	2.2	1.3	6.6	2.1

\* less than 0.1 percent

TABLE 4.4  
MANUFACTURING BY MAJOR INDUSTRY GROUP:  
EXPORTS, IMPORTS AND SHIPMENTS, 1965 - 1977

	Domestic Exports	Average Annual Rate of Growth	Imports	Average Annual Rate of Growth	Shipments	Average Annual Rate of Growth
	1965 1977	%	1965 1977	%	1965 1977	%
	(millions of dollars)		(millions of dollars)		(millions of \$)	
Manufacturing	5,624	15.2	7,049	14.2	33,889	10.2
Food & Beverages	624	10.6	390	14.2	6,429	9.4
Tobacco	1	16.5	5	8.9	380	8.3
Rubber & Plastics	30	18.2	106	17.0	670	11.7
Leather	14	11.9	51	17.8	343	6.2
Textiles	46	11.4	388	8.2	1,233	7.7
Knitting	8	2.1	30	21.5	309	7.3
Clothing	18	16.6	52	17.1	1,063	8.3
Wood Industries	619	13.9	78	14.3	1,488	11.3
Furniture & Fixtures	9	20.5	28	18.6	525	9.4
Paper & Allied	1,435	10.9	94	13.6	2,882	9.8
Printing & Publishing	11	19.1	158	11.4	1,085	10.1
Primary Metals	1,193	9.7	561	7.5	2,854	9.2
Metal Fabricating	54	19.7	316	12.4	2,467	9.5
Machinery	351	15.7	1,568	11.7	1,235	10.2
Transport Equipment	586	27.0	1,406	19.6	3,865	11.9
Electrical Products	151	13.7	453	15.1	1,903	8.6
Non-Metallic Min. Prod.	57	13.5	173	10.5	1,038	9.7
Petroleum & Coal Prod.	12	26.0	177	4.5	1,431	15.7
Chemicals	289	13.4	549	12.8	1,973	10.4
Miscellaneous	115	10.7	466	14.2	718	10.3
					2,350	



TABLE 4.5

## COMPARISON OF AVERAGE ANNUAL RATES OF GROWTH FOR MANUFACTURING MAJOR GROUPS

## EXPORTS, IMPORTS, SHIPMENTS, CANADIAN MARKET AND PRICES

1968 - 1977

	DOMESTIC EXPORTS		IMPORTS		SHIPMENTS		CANADIAN MARKET		PRICES		
	\$ Current	\$ 1971 Constant	\$ Current	\$ 1971 Constant	\$ Current	\$ 1971 Constant	\$ Current	\$ 1971 Constant	Export	Import	Domestic
Manufacturing	13.7	5.9	14.1	7.0	11.2	3.6	11.4	4.0	7.4	6.6	7.3
Food & Beverages	13.1	4.8	16.7	6.2	10.7	2.1	10.9	2.2	7.8	9.7	8.4
Tobacco	4.4	-2.8	11.1	5.0	7.7	3.1	7.8	3.2	7.3	5.7	4.4
Rubber & Plastics	21.7	13.1	15.6	8.9	11.6	6.1	11.9	6.3	7.6	6.1	5.2
Leather	12.0	4.1	16.9	9.9	6.7	-0.7	9.1	1.8	7.6	6.3	7.4
Textiles	10.3	3.8	10.5	5.9	8.2	3.5	8.6	4.1	6.1	4.3	4.4
Knitting	6.5	0.7	15.2	9.5	7.4	4.6	9.3	5.8	5.7	5.2	2.6
Clothing	14.0	8.0	16.6	8.8	9.1	2.0	9.6	2.3	5.5	7.2	7.0
Wood Products	16.3	6.6	14.2	4.4	13.2	4.6	11.1	3.3	9.0	9.4	8.2
Furniture	23.1	14.3	21.5	14.5	9.9	2.3	10.5	2.9	5.3	6.1	7.4
Paper & Allied Ind.	12.5	2.5	11.5	4.8	11.2	2.6	9.9	2.9	9.7	6.3	8.4
Printing & Publishing	18.8	12.5	11.7	5.2	10.8	3.3	10.8	3.4	5.6	6.1	7.2
Primary Metals	9.1	0.6	10.3	1.6	10.4	1.7	11.3	2.5	8.5	8.5	8.5
Metal Fabricating	18.7	8.4	14.2	7.0	10.9	2.8	11.0	3.2	9.4	6.7	7.8
Machinery	17.0	8.8	13.7	6.9	11.7	4.9	11.9	5.4	7.5	6.3	6.4
Transportation Equipment	15.2	10.0	14.5	8.2	11.5	6.9	11.4	5.9	4.6	5.9	4.2
Electrical Products	8.4	4.2	16.1	11.8	8.9	3.5	11.0	5.8	4.1	3.9	5.1
Non-Metallic Min. Pr.	16.2	4.8	13.4	6.4	11.4	3.5	11.4	3.9	10.8	6.6	7.6
Petroleum & Coal	25.0	4.0	3.8	-12.8	19.5	6.8	18.2	5.7	20.0	19.3	11.8
Chemicals	16.1	5.2	14.8	7.5	11.5	4.5	11.7	5.2	10.3	6.8	6.6
Miscellaneous	8.0	1.5	14.4	8.1	10.9	4.6	13.0	6.8	6.4	5.7	6.0

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noted that the greatest change in export orientation and import penetration was shown by the transportation equipment industries, where export orientation rose from 15.2 percent in 1965 to 73.1 percent in 1977, and import penetration advanced from 30 percent to 75.1 percent in the same period. Only two sectors, primary metals and petroleum and coal products, realized a decline in import penetration for their products.

The comparisons of current dollar and constant (1971) dollar measures, both for total manufacturing and for the major groups, reveal the effects of relative price developments during the period 1968 to 1977. Overall manufacturing prices in Canada increased 7.3 percent per annum. The highest advance was experienced by the petroleum and coal product group of industries at about 11.8 percent annually. The lowest price increases took place in knitting products, at 2.6 percent, followed by products of the transportation equipment industries, at 4.2 percent, and textiles and tobacco products at 4.4 percent per annum. Wood, paper and primary metal products advanced at above average rates and in the order of 8.2 - 8.5 percent per annum.

Export prices for manufactured goods were about in line with those for domestic shipments but almost a percentage point per annum more than import prices over the period 1968 - 1977. This indicates an improvement in the terms of trade for Canadian manufactured products in the period. However, it was observed that for several sectors the terms of trade deteriorated. Notably improved terms of trade were shown by the pulp and paper industries, in metal fabricating, non-metallic mineral products and chemicals. A worsening in the terms of trade was noted for food and beverages, clothing, furniture, printing and publishing and the large transportation equipment group.

Among the major groups, slower export price increases relative to the domestic market prices prevailed for clothing, furniture, printing and electrical and electronics industries. These price changes indicate increased competitive conditions in the manufactured product market and a reduced incentive for the industries to export. On the other hand, several major groups realized export price growth markedly above the domestic price trends. The knitting, tobacco, non-metallic mineral products and chemicals had average annual rates of growth for export prices about 3 - 4 percent higher than domestic market price changes.

The main result of adjusting the data for price change is the exposure of real rates of growth for the 1968 - 1977 period. In real terms, stronger than average growth in the 1968 - 1977 period was experienced by transportation equipment, petroleum and coal products and rubber and plastics where shipments increased between 6 - 7 percent per annum. Other groups, sharing growth of 4.5 - 5.0 percent, were machinery, knitting, wood products, chemicals and miscellaneous industries. Below average growth in production was realized by leather products, primary metals, clothing, furniture as well as by food and beverages. To some

extent, the relative differences in sector price movements modified the structural shifts displayed by the nominal values. In general, though, the conclusions remain quite similar. At the same time, the price effects in the manufacturing sectors have not affected to a great extent the calculated measures of shipments/ Canadian market, export orientation and import penetration.

### **4.3 MANUFACTURING TRADE BY MAJOR INDUSTRY GROUP**

#### **4.3.1 Ratio of Shipments to Canadian Market**

The trade measures for the industry groups within manufacturing (see Table 4.6 and 4.7) clearly indicate that numerous inter-industry shifts have occurred and reflect improvements, no change or deteriorations in industry group positions. This is in contrast to overall manufacturing where the ratio of shipments to the Canadian market was of the same order of magnitude in the two terminal years of the 1965 to 1977 period.

In Table 4.6, the major manufacturing groups are ranked according to the average (1965-77) ratio of shipments to the Canadian market. At the same time, the table clearly indicates the groups which, over the period, were export oriented and contributed export surpluses to the overall manufacturing balance. This includes paper and allied industries, wood products, primary metals and food and beverage industries. Other major groups in manufacturing show import gaps for their products which increase in the descending order of the major groups shown in Tables 4.6 and 4.7. As can be readily observed, the order or status of the export oriented sectors did not change over time, while the ratio of shipments to Canadian market increased from 1965 to 1977 for all except the food and beverage group. The improvement was of the order of 8 - 12 percent increase in the ratio of shipments to Canadian market.

Those industry groups which changed relatively little over time in their ratio of shipments to Canadian market include machinery industries, tobacco products, textiles, metal fabricating and printing and publishing industries. An examination of this measure over time for these groups also shows relative stability and only a small cyclical influence of demand.

A relative deterioration in self-sufficiency in the order of 3 - 6 percent between 1965 and 1977 can be noted for the food and beverages, furniture, clothing and rubber and plastic product industries. These groups experienced a notable decline in their ratio during the last (1974-75) demand recession but improvements in it to 1977 are also evident.

TABLE 4.6

RATIO OF SHIPMENTS/CANADIAN MARKET

BY MAJOR MANUFACTURING GROUPS

1965 - 1977

	<u>1965-1977</u> <u>Average</u>	<u>1965</u> (percent)	<u>1977</u>	<u>% Change</u> <u>1977/1965</u>
Manufacturing	95.9	96.0	96.3	0.3
Paper & Allied	193.6	187.1	204.6	9.4
Wood Products	155.1	157.2	175.3	11.5
Primary Metals	133.6	128.4	138.9	8.2
Food & Beverages	101.4	103.8	100.9	-2.8
Tobacco	99.3	99.0	99.2	0.2
Petroleum & Coal Pr.	97.2	89.7	98.9	10.3
Clothing	95.1	97.0	92.4	-4.8
Furniture	95.0	96.6	92.2	-4.6
Transportation Equip.	91.5	82.5	92.6	12.2
Non-Met. Min. Prod.	90.7	90.0	91.1	1.2
Metal Fabricating	89.9	90.4	89.9	-0.6
Printing & Publishing	88.1	88.1	87.6	-0.6
Chemicals	86.0	84.4	86.3	2.3
Rubber & Plastics	84.6	89.9	84.2	-6.3
El. & Electronics	80.5	86.3	74.5	-13.7
Textiles	78.4	78.3	78.2	-0.1
Leather	78.2	90.2	69.9	-22.5
Knitting	75.6	93.1	70.5	-24.3
Miscellaneous	60.0	67.2	55.1	-18.0
Machinery	51.3	50.4	50.7	0.6



TABLE 4.7

MANUFACTURING BY MAJOR GROUP

RATIO OF SHIPMENTS/CANADIAN MARKET 1965 - 1977

	<u>Average</u> <u>1965-77</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
	(percent)						
Manufacturing	95.9	96.0	96.3	96.4	97.8	97.4	100.2
Food & Beverages	101.4	103.8	103.4	103.1	102.8	102.1	102.6
Tobacco Products	99.3	99.0	99.5	99.5	99.7	99.7	99.6
Rubber Products	84.6	89.9	88.8	89.2	86.0	85.7	86.7
Leather Products	78.2	90.2	89.5	87.8	85.3	83.9	83.2
Textiles	78.4	78.3	78.8	78.8	81.4	80.5	81.0
Knitting Mills	75.6	93.1	89.4	88.8	82.3	83.3	80.3
Clothing	95.1	97.0	97.4	96.3	96.1	97.0	97.8
Wood Products	155.1	157.2	150.5	150.3	148.9	153.6	161.1
Furniture	95.0	96.6	96.9	96.5	96.4	97.8	99.1
Paper & Allied Industries	193.6	187.1	188.0	186.7	189.2	196.6	197.3
Printing & Publishing	88.1	88.1	88.7	87.8	87.6	87.1	87.2
Primary Metals	133.6	128.4	131.5	140.4	148.9	130.5	158.7
Metal Fabricating	89.9	90.4	91.0	89.7	90.8	89.6	90.5
Machinery	51.3	50.4	50.9	51.9	51.9	52.2	54.0
Transportation	91.5	82.5	86.0	89.2	91.7	97.6	103.4
Electrical Products	80.5	86.3	85.3	85.1	88.8	85.2	87.7
Non-Metallic Mineral Products	90.7	90.0	89.7	88.6	91.1	90.4	91.1
Petroleum & Coal Products	97.2	89.7	90.3	89.7	89.9	90.1	92.2
Chemicals	86.0	88.4	89.2	88.1	87.9	86.8	87.1
Miscellaneous Manufacturing	60.0	67.2	68.1	64.8	65.2	63.8	64.7

TABLE 4.7 (Cont'd)

MANUFACTURING BY MAJOR GROUP

RATIO OF SHIPMENTS/CANADIAN MARKET 1965 - 1977

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	(percent)						
Manufacturing	98.3	96.7	98.3	93.6	92.7	95.0	96.3
Food & Beverages	102.8	101.8	102.0	99.5	99.8	99.9	100.9
Tobacco Products	99.3	99.5	99.0	99.2	98.8	98.9	99.2
Rubber Products	85.4	84.7	84.9	77.9	80.4	87.4	84.2
Leather Products	80.9	77.9	79.0	75.4	71.7	70.7	69.9
Textiles	81.1	78.2	77.5	76.2	77.5	76.2	78.2
Knitting Mills	74.3	71.4	75.0	74.3	70.0	65.7	70.5
Clothing	98.0	97.2	97.0	95.5	94.0	89.4	92.4
Wood Products	160.9	165.9	167.8	143.9	130.3	151.0	175.3
Furniture	98.7	97.0	95.4	92.8	93.4	92.0	92.2
Paper & Allied Industries	191.7	185.1	184.7	193.1	195.2	199.1	204.6
Printing & Publishing	87.4	87.9	88.8	88.7	88.3	88.7	87.6
Primary Metals	136.9	131.1	133.4	118.9	123.4	137.1	138.9
Metal Fabricating	90.5	90.0	89.5	89.5	89.2	89.5	89.9
Machinery	54.1	51.9	50.6	50.3	50.9	50.7	50.7
Transportation	100.0	97.9	92.5	85.1	84.5	91.8	92.6
Electrical Products	83.2	79.2	78.2	77.9	79.3	76.3	75.4
Non-Metallic Mineral Products	91.4	92.0	92.6	90.4	89.9	90.2	91.1
Petroleum & Coal Products	93.7	97.5	100.2	100.0	101.1	99.9	98.9
Chemicals	87.7	85.5	84.7	82.4	84.4	85.9	86.3
Miscellaneous Manufacturing	62.8	60.4	58.4	57.7	57.5	57.0	55.1

Four major groups in manufacturing were exposed to a rather significant deterioration in their self-sufficiency over the 1965 - 1977 period. For electrical and electronics products the ratio declined 13.7 percent, for miscellaneous industries 18.0 percent and for leather products and knitting the decline was a significant 22.5 and 24.3 percent respectively. A common factor for these groups appears to be that the industries attained a peak in self-sufficiency early in the period under examination, in 1965 and up to 1968, were affected by the recession but the recovery did not bring the expected improvement.

#### 4.3.2 Export Orientation

The measure of export orientation for manufacturing averaged 24.6 percent for the 1965 to 1977 period. In 1965 overall export orientation of manufacturing was 16.6 percent and by 1977 it increased to 28.1 percent. The increase of 69.2 percent between 1965 and 1977 amounts to about 4.4 percent compounded annually. However, as with the ratio of shipments to Canadian market, inter-group developments varied a great deal and reflected a very uneven response in the export orientation changes.

Table 4.8 summarizes the developments in export orientation by manufacturing major groups and additional information throughout the period is provided in Table 4.9. It is fairly obvious, as would be expected, that sectors with a high shipment to Canadian market ratio also experienced a relatively strong export orientation of production. This is clearly confirmed by the data shown. In addition, however, it can be observed that some groups, even those experiencing an import gap, have had a substantial and above average export orientation of production, e.g. transportation equipment and machinery. This is the result of rationalization and specialization of production through increased trade involvement and interdependence.

Another observation that can be made is that five groups are considerably above the average, and thirteen are more than 10 percent below it, as the rank values for specific groups drop very rapidly.

The increases in export orientation of the various groups are tied to export opportunities and export competitiveness, however, the increases also reflect the various sector bases, large or small, from which they are derived. At any rate, the largest increase in export orientation was realized by the transportation equipment group where the measure nearly quadrupled over the period, mainly due to the Canada-U.S. Automotive Products Agreement. Other very large increases experienced were from relatively small export bases. It is also of interest that except for one major group, knitting mills, the changes were positive.

TABLE 4.8

EXPORT ORIENTATION  
BY MAJOR MANUFACTURING GROUPS

	<u>1965-1977</u> <u>Average</u>	<u>1965</u>	<u>1977</u>	<u>% Change</u> <u>1977/1965</u>
		(percent)		
Manufacturing	24.6	16.6	28.1	69.2
Transportation Equip.	61.7	15.2	73.1	380.9
Paper & Allied Ind.	52.5	49.8	56.0	12.4
Primary Metals	44.1	41.8	44.2	5.7
Wood Products	42.4	41.6	49.4	18.7
Machinery	41.2	28.4	51.1	79.9
Miscellaneous Ind.	19.2	16.0	16.6	3.7
Chemicals	16.3	14.6	20.4	39.7
Electrical Prod.	13.0	7.9	13.7	73.4
Food & Beverages	9.6	9.7	11.0	13.4
Non-Met. Min. Pr.	7.1	5.5	8.3	50.9
Rubber & Plastics	6.5	4.5	9.0	100.0
Leather Products	6.2	4.1	8.5	107.3
Textiles	4.9	3.7	5.7	54.0
Metal Fabricating	4.6	2.2	6.3	186.3
Clothing	4.2	1.7	4.3	152.9
Furniture	4.1	1.7	5.6	229.4
Petroleum & Coal Pr.	3.9	0.8	2.4	200.0
Printing & Publish.	2.1	1.0	2.6	160.0
Knitting Mills	2.0	2.5	1.4	-44.0
Tobacco Products	0.5	0.2	0.5	150.0



TABLE 4.9  
MANUFACTURING BY MAJOR SECTOR  
EXPORT ORIENTATION 1965 - 1977

	<u>1965-77</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
	(percent)						
Manufacturing	24.6	16.6	18.1	20.4	23.0	24.4	26.2
Food & Beverages	9.6	9.7	9.5	9.0	9.0	9.3	9.7
Tobacco Products	0.5	0.2	0.5	0.6	0.6	0.8	0.6
Rubber Products	6.5	4.5	3.7	4.4	4.1	4.1	4.9
Leather Products	6.2	4.1	4.3	4.7	5.5	5.5	6.8
Textiles	4.9	3.7	4.1	3.7	4.8	4.3	5.0
Knitting Mills	2.0	2.5	1.8	1.7	1.5	2.4	2.3
Clothing	4.2	1.7	2.1	2.1	2.9	4.3	4.8
Wood Products	42.4	41.6	38.8	39.0	38.8	40.9	43.1
Furniture	4.1	1.7	2.1	1.8	2.0	3.6	4.8
Paper & Allied Industries	52.5	49.8	49.9	49.5	50.4	52.4	52.3
Printing & Publishing	2.1	1.0	1.1	1.3	1.4	1.7	2.0
Primary Metals	44.1	41.8	41.1	46.4	49.2	43.2	53.4
Metal Fabricating	4.6	2.2	2.4	2.7	3.4	3.2	3.8
Machinery	41.2	28.4	29.0	31.7	33.5	35.4	38.2
Transportation	61.7	15.2	29.1	44.1	54.7	60.6	68.9
Electrical Products	13.0	7.9	8.6	9.9	14.1	14.1	15.7
Non-Metallic Mineral Products	7.1	5.5	5.7	5.5	5.6	6.2	7.5
Petroleum & Coal Products	3.9	0.8	1.0	1.2	1.6	1.9	2.8
Chemicals	16.3	14.6	14.2	14.1	14.2	15.1	16.5
Miscellaneous Manufacturing	19.2	16.0	18.9	21.2	21.0	23.4	26.0

TABLE 4.9 (Cont'd)

MANUFACTURING BY MAJOR SECTOR

EXPORT ORIENTATION 1965 - 1977

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	(percent)						
Manufacturing	25.3	25.7	26.4	24.7	23.7	25.8	28.1
Food & Beverages	9.6	9.6	11.1	8.5	8.4	9.4	11.0
Tobacco Products	0.5	0.7	0.3	0.6	0.4	0.5	0.5
Rubber Products	4.4	5.3	7.1	6.5	6.7	10.1	9.0
Leather Products	5.7	5.9	6.7	5.2	6.5	7.4	8.5
Textiles	5.0	4.5	5.5	6.0	4.7	4.8	5.7
Knitting Mills	2.3	2.5	2.4	2.0	1.4	1.7	1.4
Clothing	5.1	5.2	6.0	5.6	4.4	3.9	4.3
Wood Products	43.2	45.7	46.9	39.4	32.9	41.8	49.4
Furniture	4.5	4.2	4.9	4.6	4.2	4.5	5.6
Paper & Allied Industries	51.2	49.6	49.8	52.0	54.2	55.5	56.0
Printing & Publishing	2.0	2.1	2.3	2.6	2.3	2.8	2.6
Primary Metals	45.3	42.7	45.3	43.5	38.7	43.0	44.2
Metal Fabricating	4.1	4.9	4.8	5.5	5.2	5.0	6.3
Machinery	39.5	39.2	43.2	43.2	45.9	44.6	51.1
Transportation	66.0	68.3	66.4	61.1	63.4	69.4	73.1
Electrical Products	13.2	12.8	13.9	14.1	13.2	13.2	13.7
Non-Metallic Mineral Products	6.6	7.8	8.7	7.8	6.6	6.8	8.3
Petroleum & Coal Products	3.4	6.0	7.1	7.2	5.7	3.0	2.4
Chemicals	15.6	15.6	15.4	16.3	15.2	17.2	20.4
Miscellaneous Manufacturing	21.1	19.9	21.3	17.8	17.2	16.7	16.6

#### 4.3.3 Import Penetration

The import penetration of manufactured products averaged about 27.6 percent in the 1965 to 1977 period. Between the two terminal years it increased from 20.0 percent in 1965 to about 30.7 percent in 1977. The advance of 53.5 percent over the period represents an increase of 3.6 percent compounded annually and was somewhat lower than the annual increase in export orientation.

As illustrated in summary Table 4.10, the sectoral responses again are greatly different and uneven. Table 4.11 indicates the developments of the sectoral measures over time and though the upward movement is generally apparent, it is not uniform and cyclical elements are also present. With several exceptions, import penetration of the Canadian market is high and indirectly related to the ratio of shipments to Canadian market, i.e. a low ratio of shipments/Canadian market generally implies a high import dependence and market penetration. Transportation equipment, and to some extent certain other industries, again represent an exception as the high imports are offset by exports and high export orientation of production.

An above average import penetration can be observed for three major groups, namely: machinery, transportation equipment and miscellaneous manufacturing industries. However, in comparison to export orientation, the group of industries with about average import penetration is quite sizeable and accounts for six major groups. Also, the drop in rank values by sectors is relatively slower than the corresponding values for export orientation.

As shown in Tables 4.10 and 4.11, the increases in import penetration are quite general, and only two groups realized decreased import penetration in the Canadian market, namely: primary metals and petroleum and coal product industries. While the transportation equipment group experienced an above average increase in import penetration, due to the Automotive Product Agreement, the absolute advance over the period was less than half as large as that for export orientation for the same sector, though it was from a relatively larger base.

Above average increases in import penetration over the period were experienced by the knitting mills, leather products, furniture and fixtures, transportation equipment and clothing product industries. While in most of these instances export orientation also rose, and at above average rates, for knitting mills the large and leading advance in import penetration of the Canadian market was accompanied by a decrease in export orientation and clearly indicates a notably worsened position for the group. In others, as noted earlier, the comparable increases in export orientation were from considerably smaller export bases relative to imports, and the ultimate deterioration can be judged from the decreased self-sufficiency or the decline in the ratio of shipments to the domestic market.

TABLE 4.10

IMPORT PENETRATION  
BY MAJOR MANUFACTURING GROUPS

	<u>1965-1977</u> <u>Average</u>	<u>1965</u> <u>(percent)</u>	<u>1977</u>	<u>% Change</u> <u>1977/1965</u>
Manufacturing	27.6	20.0	30.7	53.5
Machinery	69.8	63.9	75.2	17.7
Transportation Equip.	65.0	30.0	75.1	150.3
Miscellaneous Ind.	51.6	43.6	54.0	23.9
El. & Electronics Prod.	30.0	20.6	35.6	72.8
Chemicals	28.0	24.6	31.3	27.2
Leather Products	26.6	13.4	36.0	168.7
Knitting Mills	25.9	9.2	30.5	231.5
Textiles	25.5	24.7	26.3	6.5
Primary Metals	25.3	25.2	22.5	-10.8
Rubber Products	20.9	14.2	23.4	64.8
Non-Met. Min. Prod.	15.7	15.0	16.4	9.3
Metal Fabricating	14.2	11.6	15.8	36.2
Printing & Publishing	13.8	12.8	14.7	14.8
Wood Products	10.7	8.2	11.4	39.0
Clothing	9.0	4.7	11.6	146.8
Furniture	8.9	5.1	13.0	154.9
Food & Beverages	8.3	6.3	10.2	61.9
Paper & Allied Ind.	8.0	6.1	9.9	62.3
Petroleum & Coal Pr.	6.6	11.1	3.6	-67.3
Tobacco Prod.	1.3	1.2	1.3	8.3



TABLE 4.11  
MANUFACTURING BY MAJOR SECTOR  
IMPORT PENETRATION 1965 - 1977

	<u>Average</u> <u>1965-77</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
	(percent)						
Manufacturing	27.6	20.0	21.1	23.2	24.7	26.4	26.1
Food & Beverages	8.3	6.3	6.4	6.2	6.4	7.4	7.4
Tobacco Products	1.3	1.2	1.0	1.0	1.0	1.1	1.0
Rubber Products	20.9	14.2	14.5	14.8	17.5	17.9	17.5
Leather Products	26.6	13.4	14.4	16.3	19.4	20.7	22.5
Textiles	25.5	24.7	24.5	24.1	22.5	23.0	23.0
Knitting Mills	25.9	9.2	12.2	12.7	19.0	18.7	21.6
Clothing	9.0	4.7	4.7	5.6	6.6	7.2	6.9
Wood Products	10.7	8.2	7.9	8.3	8.9	9.2	8.4
Furniture	8.9	5.1	5.0	5.2	5.5	5.7	5.7
Paper & Allied Industries	8.0	6.1	5.8	5.7	6.1	6.4	5.9
Printing & Publishing	13.8	12.8	12.3	13.3	13.7	14.4	14.5
Primary Metals	25.3	25.2	22.6	24.8	24.4	25.9	26.0
Metal Fabricating	14.2	11.6	11.2	12.7	12.3	13.3	12.9
Machinery	69.8	63.9	63.9	64.5	65.5	66.3	66.6
Transportation	65.0	30.0	39.0	50.2	58.4	61.5	67.9
Electrical Products	30.0	20.6	22.0	23.3	23.7	26.8	26.1
Non-Metallic Mineral Products	15.7	15.0	15.5	16.3	14.0	15.2	15.7
Petroleum & Coal Products	6.6	11.1	10.6	11.3	11.5	11.6	10.4
Chemicals	28.0	24.6	23.5	24.4	24.6	26.3	27.3
Miscellaneous Manufacturing	51.6	43.6	44.8	48.9	48.5	51.1	52.1

TABLE 4.11 (Cont'd)

MANUFACTURING BY MAJOR SECTOR

IMPORT PENETRATION 1965 - 1977

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	(percent)						
Manufacturing	26.6	28.1	29.2	29.5	29.2	29.5	30.7
Food & Beverages	7.1	8.0	9.3	9.0	8.5	9.5	10.2
Tobacco Products	1.2	1.2	1.3	1.3	1.6	1.5	1.3
Rubber Products	18.4	19.8	21.1	27.2	25.0	21.4	23.4
Leather Products	23.7	26.7	26.3	28.5	32.9	34.5	36.0
Textiles	23.0	25.4	26.7	28.4	26.2	27.4	26.3
Knitting Mills	27.5	30.3	26.8	27.2	31.0	35.5	30.5
Clothing	7.0	7.8	8.8	9.9	10.1	14.1	11.6
Wood Products	8.6	9.9	10.8	12.9	12.5	12.2	11.4
Furniture	5.8	7.1	9.3	11.4	10.5	12.1	13.0
Paper & Allied Industries	6.5	6.8	7.2	7.4	10.5	11.4	9.9
Printing & Publishing	14.3	13.9	13.3	13.6	13.8	13.8	14.7
Primary Metals	25.2	24.8	27.0	32.9	24.4	21.9	22.5
Metal Fabricating	13.2	14.4	14.8	15.5	15.4	15.0	15.8
Machinery	67.2	68.4	71.2	71.4	72.5	71.9	75.2
Transportation	66.1	68.9	69.0	66.9	69.0	71.9	75.1
Electrical Products	27.8	31.0	32.6	33.0	31.1	33.8	35.6
Non-Metallic Mineral Products	14.7	15.1	15.5	16.7	16.0	15.9	16.4
Petroleum & Coal Products	9.4	8.4	6.9	7.2	4.7	3.1	3.6
Chemicals	25.9	27.8	28.4	31.0	28.4	28.8	31.3
Miscellaneous Manufacturing	50.4	51.6	54.1	52.6	52.4	52.5	54.0

## CHAPTER V

### OVERVIEW OF REGIONAL MARKET DEVELOPMENTS





## CHAPTER V

### OVERVIEW OF REGIONAL MARKET DEVELOPMENTS

#### 5.1 INTRODUCTION

This chapter is intended to provide a general overview of Canada's trade with our major trading partners. It is based on Canadian trade data and represents a link between the discussion in Chapters II to IV which also made use of Canadian trade data, and the discussion to follow in Chapters VI and VII which draws extensively on UN data from IT&C's International Trade Data Bank.

#### 5.2 SUMMARY

In the sixties Canada increased her dependence on the United States as a trading partner, especially as a destination for our exports of automotive goods and other finished manufactured products. Overall, there is little evidence in the seventies to suggest that the United States is in the process of becoming more important as a trading partner. The increasing U.S. share of Canadian exports in the last two years appears to be more of a reflection of strength in the United States business cycle in 1976 and 1977 than the beginnings of a new trend.

At the same time, the United Kingdom declined in relative importance as a market for Canadian exports during the period under study, as other member countries of the European Free Trade Association increased their exports, especially resource-based commodities, to Britain. The decline continued after the United Kingdom joined the European Economic Community as such EFTA countries as Sweden and Finland developed a special relationship with the EEC. Similarly as Britain turned more towards Europe, her relative importance as a source for Canadian imports declined. However, there was very little change in the relative importance of other EEC countries as a source for Canadian imports although there was a slight decline in this market as a destination for Canadian exports.

Japan replaced the United Kingdom in 1972-73 as Canada's second most important single trading partner. However, trade with Japan is typified by Canadian exports of raw materials and by our imports of finished manufactured products. Such developments reflect Japan's industrial and trading strategies in the late fifties and early sixties.

Since 1960 there has been little variation in the importance of other countries as a destination for Canadian exports, except for imports of wheat by the Soviet Union and China in certain poor crop years. There has been some improvement in Canadian exports to OPEC countries in recent years as a result of increasing wealth derived from an escalation in crude petroleum prices. At the same time the OPEC countries have increased their

share of Canadian imports as a result of higher oil prices. There has been little change in the importance of the Soviet Union and China as a source for our imports. The other Asian countries have increased their relative share of Canadian imports as a result of rising exports of such products as textiles, clothing, footwear and telecommunications equipment from such places as South Korea, Hong Kong and Taiwan.

### 5.3 DIRECTION OF TRADE

#### 5.3.1 Major Trading Partners

The United States is by far Canada's largest trading partner. The share of Canadian exports destined to the United States was around 56 percent in the first half of the sixties but then started rising to a high of 71 percent in 1969. This increase coincided with the implementation of the Canada/United States Automotive Products Agreement in 1965. This trend was more marked for exports than imports, with the latter rising from some 67 percent in 1960 to 70 percent in 1965 and thereafter to a high of around 73 percent in the period 1967-1969<sup>1</sup>. The trends in both exports and imports tended to decline in the early seventies and then reversed themselves in 1974-75 so that by 1977 both shares were about 70 percent (See Table 5.1 and Chart 5.1).

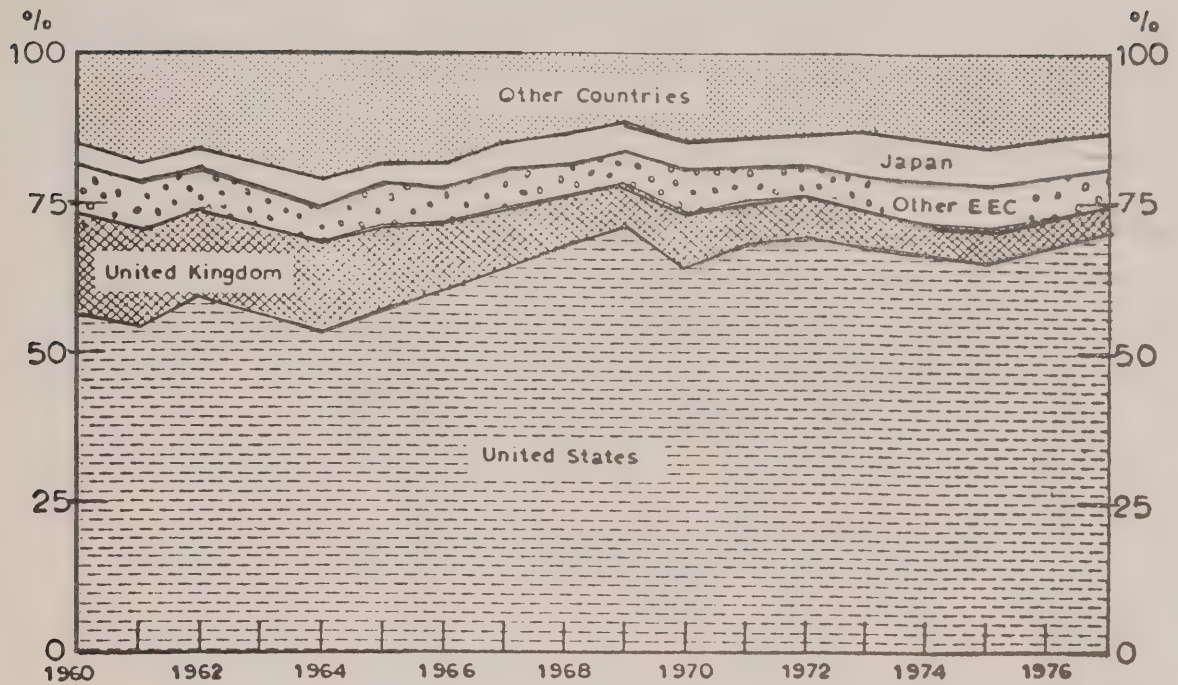
Traditionally, the United Kingdom has been Canada's second largest trading partner. However, the significance of this market has steadily declined over the years. Britain accounted for less than 5 percent of Canadian exports in 1977 compared to 17 percent in 1960. Also, the share of imports coming from the United Kingdom has fallen from about 11 percent in 1960 to 3 percent in 1977. In 1972, Japan emerged as Canada's second largest trading partner as far as imports are concerned and a year later as a destination for exports. Thus, 1972-73 was an important turning point in Canadian trade. Japan's share of our export market rose from 3.3 percent in 1960 to a peak of 7.1 percent in 1973 and has since trailed off to 5.7 percent in 1977. Similarly with imports, which rose from 2 percent in the 1960-1963 period to 5.7 percent in 1972, and then declined to 4.3 percent in 1977. Although Japan is Canada's second largest individual market, the continental countries comprising the European Economic Community as a group are more important than Japan. However, there has been no significant trend in the shares of Canadian trade with these countries over the entire period. The share of Canadian exports to the continental EEC countries declined from over 8 percent in 1960 to about 5 1/2 percent in 1968 and has fluctuated between 5 1/2 and 7 percent ever since. At the same time, the share of Canadian imports from the continental EEC countries has varied between 5.2 and 6.3 percent since 1960.

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<sup>1</sup> It is understood that the importance of the United States in Canadian trade may be slightly overstated as certain exports and imports for/ from overseas countries are shipped via the United States.

CHART 5.1

A. DIRECTION OF CANADIAN MERCHANDISE EXPORTS



B. SOURCE OF CANADIAN MERCHANDISE IMPORTS

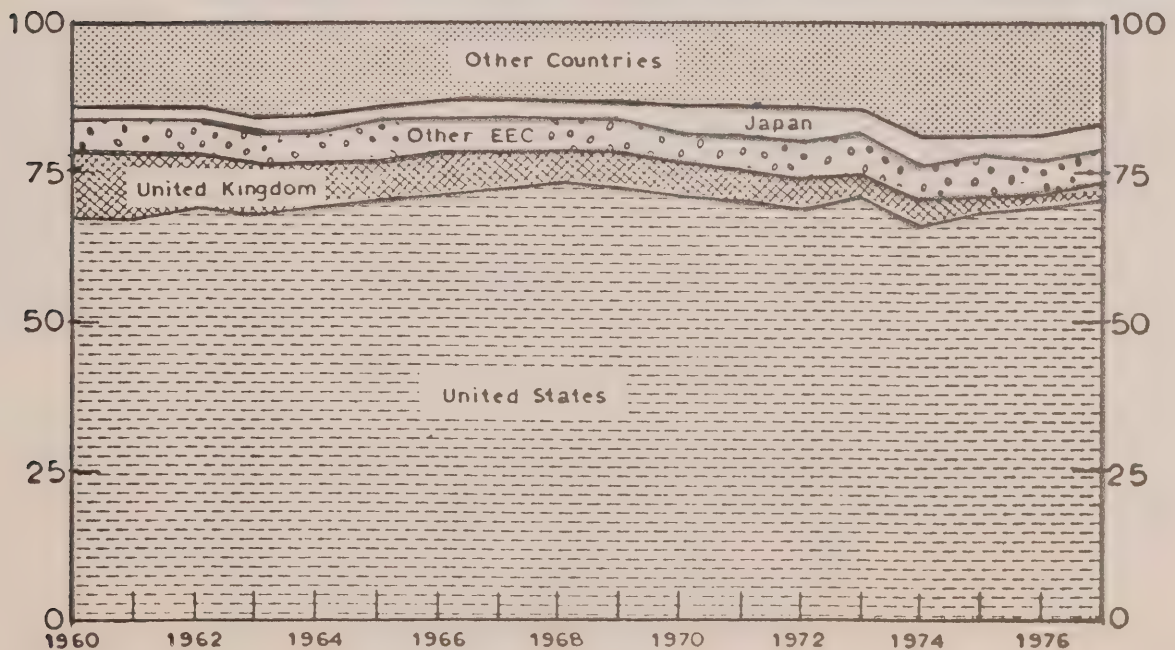




TABLE 5.1

## CANADIAN EXPORTS BY GEOGRAPHIC AREA

(Millions of Dollars)

	U.S.A.	U.K.	Other EEC (9)	Japan	Other <sup>a)</sup> OECD	U.S.S.R.	Other Eastern Europe	China	Other Asia	Other Africa	Latin America	Middle East and Misc. Other Countries	Canada Total Exports	Memorandum Item: OPEC
1960	3,036	925	446	180	272	8	27	9	110	77	257	40	5,387	58
1961	3,215	921	478	232	268	24	95	125	117	66	311	43	5,895	61
1962	3,745	920	468	216	291	3	45	147	96	68	304	45	6,348	70
1963	3,913	1,015	497	298	325	150	43	105	136	90	359	50	6,980	73
1964	4,437	1,207	589	332	378	316	161	136	164	104	440	39	8,303	88
1965	5,033	1,185	662	317	409	198	108	105	154	118	438	40	8,767	101
1966	6,234	1,132	671	395	426	321	75	185	225	109	500	52	10,325	106
1967	7,332	1,178	721	574	425	129	52	91	279	114	486	39	11,420	107
1968	9,285	1,226	789	608	499	89	48	163	258	111	554	48	13,679	139
1969	10,521	1,113	887	626	510	10	21	123	239	119	619	54	14,871	129
1970	10,900	1,501	1,242	813	684	102	41	142	345	176	767	109	16,820	186
1971	12,025	1,295	1,145	831	650	128	45	204	357	166	749	126	17,820	240
1972	13,973	1,385	1,178	965	608	285	69	264	328	165	824	106	20,150	270
1973	17,129	1,604	1,581	1,814	825	292	92	288	517	188	927	163	25,421	318
1974	21,399	1,929	2,175	2,231	1,163	32	136	439	673	404	1,585	277	32,442	622
1975	21,697	1,818	2,383	2,135	961	425	214	377	790	445	1,610	473	33,328	897
1976	25,894	1,878	2,699	2,397	1,089	550	245	197	718	414	1,796	521	38,397	1,005
1977	31,027	1,946	2,769	2,518	1,279	360	221	369	874	479	1,928	606	44,375	1,277
1978														

Source: Statistics Canada - various trade publications and CANSIM

Note: a) Includes Yugoslavia and Turkey



### 5.3.2 Other Countries<sup>1</sup>

While the share of Canadian exports to other countries has averaged around 14 percent since 1960, trade with this group of countries has been rather volatile. For instance, the share started at 14.9 percent in 1960 and went to a high of 21.2 percent by 1964 and then declined to a low of 11.6 percent in 1969. Thereafter, it moved upward to 18.8 percent by 1975 and by 1977 was down to 13.6 percent. Much of this movement was related to Canadian exports of wheat to Eastern Europe - mainly the Soviet Union - and to China (Table 5.2). As Canada is the second leading exporter of wheat after the United States, the variability of crop conditions in the Soviet Union and China has some effect on Canada's regional trade pattern.

In 1960, the share of Canadian exports to Eastern Europe was only 0.5 percent but moved rapidly upward to a peak of 5.8 percent in 1964 (3.8 percent for the Soviet Union alone) before declining to some 2.0 percent in 1974-75 and down to 1.4 percent in 1977. Similarly, exports to China, which represented a negligible share of Canadian exports in 1960, moved strongly upward in 1961-62 to around 2.2 percent and stood only slightly below this ratio from 1963 to 1966 before falling sharply to 0.8 percent in 1967. From 1971 to 1975 the ratio was just over 1.0 percent but then fell sharply in 1976 before improving somewhat to 0.8 percent in 1977.

The share of Canada's exports to other regions has been fairly stable over the years at some 4 1/2 percent for Latin America, 2 percent for Other Asia and some 1 to 1 1/2 percent for Other Africa. Certain OPEC countries are included in these regions although Middle East countries are in the residual "other countries"<sup>2</sup>. With the increasing wealth of the OPEC countries and their desire to industrialize, Canada's share of exports to them has moved strongly upward, especially since 1974. Up to 1973 the ratio of Canada's exports to the OPEC countries was around 1 1/4 percent but this moved strongly upward to over 2 1/2 percent for the years 1975-1977.

On the import side, Canada's share of imports from other countries has tended not to be quite as erratic as exports. For instance, the ratio of imports from these countries was fairly constant at around 14 percent from 1960 to 1973 before moving upward to nearly 19 percent in the years 1974 to 1976 as a result of increased imports of crude petroleum but more particularly the escalation in prices for this commodity. Canada's share of imports from both Eastern Europe and China have never represented more than some 0.6 percent for the former and some 0.2 percent for the latter (Table 5.3). Thus, while Canadian imports from these two areas have increased over the years, our trade with Eastern Europe and China is in a surplus position.

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<sup>1</sup> Countries other than the United States, United Kingdom, other EEC and Japan.

<sup>2</sup> Because of this, OPEC exports and imports are treated as memorandum items in the relevant tables.

TABLE 5.2

## CANADIAN EXPORTS BY GEOGRAPHIC AREA

(Percentage Distribution)

	U.S.A.	U.K.	Other EEC (9)	Japan	a) Other OECD	U.S.S.R.	Other Eastern Europe	China	Other Asia	Other Africa	Latin America	Middle East and Misc. Other Countries	Canada Total Exports	Memorandum Item: OPEC
1960	56.4	17.2	8.3	3.3	5.0	0.1	0.5	0.2	2.0	1.4	4.8	0.7	100.0	1.1
1961	54.5	15.6	8.1	3.9	4.5	0.4	1.6	2.1	2.0	1.1	5.3	0.7	100.0	1.0
1962	59.0	14.5	7.4	3.4	4.6	0.0	0.7	2.3	1.5	1.1	4.8	0.7	100.0	1.1
1963	56.1	14.5	7.1	4.3	4.7	2.1	0.6	1.5	1.9	1.3	5.1	0.7	100.0	1.0
1964	53.4	14.5	7.1	4.0	4.6	3.8	1.9	1.6	2.0	1.3	5.3	0.5	100.0	1.1
1965	57.4	13.5	7.6	3.6	4.7	2.3	1.2	1.2	1.8	1.3	5.0	0.5	100.0	1.2
1966	60.4	11.0	6.5	3.8	4.1	3.1	0.7	1.8	2.2	1.1	4.8	0.5	100.0	1.0
1967	64.2	10.3	6.3	5.0	3.7	1.1	0.5	0.8	2.4	1.0	4.3	0.3	100.0	0.9
1968	67.9	9.0	5.8	4.4	3.6	0.7	0.4	1.2	1.9	0.8	4.1	0.4	100.0	1.0
1969	71.0	7.5	6.0	4.2	3.4	0.1	0.1	0.8	1.6	0.8	4.2	0.4	100.0	0.9
1970	64.8	8.9	7.4	4.8	4.1	0.6	0.2	0.8	2.1	1.0	4.6	0.6	100.0	1.1
1971	67.5	7.8	6.4	4.7	3.6	0.7	0.3	1.1	2.0	0.9	4.2	0.7	100.0	1.3
1972	69.3	6.9	5.8	4.8	3.0	1.4	0.3	1.3	1.6	0.8	4.1	0.5	100.0	1.3
1973	67.4	6.3	6.2	7.1	3.2	1.1	0.4	1.1	2.0	0.7	3.6	0.6	100.0	1.3
1974	66.0	5.9	6.7	6.9	3.6	0.1	0.4	1.4	2.1	1.2	4.9	0.9	100.0	1.9
1975	65.1	5.5	7.2	6.4	2.9	1.3	0.6	1.1	2.4	1.3	4.8	1.4	100.0	2.7
1976	67.4	4.9	7.0	6.2	2.8	1.4	0.6	0.5	1.9	1.1	4.7	1.4	100.0	2.6
1977	69.9	4.4	6.2	5.7	2.9	0.8	0.5	0.8	2.0	1.1	4.3	1.4	100.0	2.9
1978														

Source: Statistics Canada - various trade publications and CANSIM

Note: a) Includes Yugoslavia and Turkey

TABLE 5.3

## CANADIAN IMPORTS BY GEOGRAPHIC AREA

(Millions of Dollars)

	U.S.A.	U.K.	Other EEC (9)	Japan	a) Other OECD	U.S.S.R.	Other Eastern Europe	China	Other Asia	Other Africa	Latin America	Middle East and Misc. Other Countries	Canada Total Imports	Memorandum Item: OPEC
1960	3,687	589	305	110	115	3	10	6	95	33	420	110	5,483	311
1961	3,864	618	334	117	132	3	13	3	95	44	447	99	5,769	321
1962	4,300	563	353	125	157	2	15	5	114	51	474	99	6,258	330
1963	4,445	527	360	130	192	2	18	5	132	87	536	124	6,558	369
1964	5,164	574	427	174	216	3	25	9	131	97	580	88	7,488	362
1965	6,045	619	541	230	241	10	32	14	152	86	548	115	8,633	373
1966	7,136	645	581	253	282	12	42	21	157	116	503	118	9,866	365
1967	8,017	673	663	305	320	23	56	25	181	124	582	106	11,075	399
1968	9,051	696	698	360	357	22	55	23	203	109	682	105	12,360	463
1969	10,243	791	831	496	458	12	64	27	246	125	714	124	14,130	472
1970	9,917	738	849	582	559	9	59	19	264	153	691	113	13,952	483
1971	10,951	837	984	803	551	13	67	23	297	185	755	152	15,618	577
1972	12,878	949	1,215	1,071	718	15	85	48	414	235	788	254	18,669	702
1973	16,502	1,005	1,477	1,011	885	23	108	53	543	311	1,033	372	23,323	936
1974	21,387	1,126	1,920	1,430	1,129	23	158	61	706	446	2,015	1,320	31,722	2,556
1975	23,641	1,222	2,074	1,205	1,213	29	131	56	738	443	1,802	2,160	34,716	3,178
1976	25,752	1,150	1,991	1,524	1,249	55	133	88	1,166	522	2,057	1,758	37,444	3,132
1977	29,630	1,281	2,358	1,803	1,274	55	141	82	1,235	362	2,452	1,482	42,156	2,951

Source: Statistics Canada - various trade publications and CANSTIM

Note: a) Includes Yugoslavia and Turkey

TABLE 5.4

CANADIAN IMPORTS BY GEOGRAPHIC AREA

(Percentage Distribution)

	U.S.A.	U.K.	Other EEC (9)	Japan	a) Other OECD	U.S.S.R.	Other Eastern Europe	China	Other Asia	Other Africa	Latin America	Middle East and Misc. Other Countries	Canada Total Imports	Memorandum Item: OPEC
1960	67.2	10.7	5.6	2.0	2.1	0.1	0.2	0.1	1.7	0.6	7.7	2.0	100.0	5.7
1961	67.0	10.7	5.8	2.0	2.3	0.1	0.2	0.1	1.6	0.8	7.7	1.7	100.0	5.6
1962	63.7	9.0	5.6	2.0	2.5	0.0	0.2	0.1	1.8	0.8	7.6	1.6	100.0	5.3
1963	67.8	8.0	5.5	2.0	2.9	0.0	0.3	0.1	2.0	1.3	8.2	1.9	100.0	5.6
1964	69.0	7.7	5.7	2.3	2.9	0.0	0.3	0.1	1.7	1.3	7.7	1.2	100.0	4.8
1965	70.0	7.2	6.3	2.7	2.8	0.1	0.4	0.2	1.8	1.0	6.3	1.3	100.0	4.3
1966	72.3	6.5	5.9	2.6	2.9	0.1	0.4	0.2	1.6	1.2	5.1	1.2	100.0	3.7
1967	72.4	6.1	6.0	2.8	2.9	0.2	0.5	0.2	1.6	1.1	5.3	1.0	100.0	3.6
1968	73.2	5.6	5.6	2.9	2.9	0.2	0.4	0.2	1.6	0.9	5.5	0.8	100.0	3.7
1969	72.5	5.6	5.9	3.5	3.2	0.1	0.5	0.2	1.7	0.9	5.1	0.9	100.0	3.3
1970	71.1	5.3	6.1	4.2	4.0	0.1	0.4	0.1	1.9	1.1	5.0	0.8	100.0	3.5
1971	70.1	5.4	6.3	5.1	3.5	0.1	0.4	0.1	1.9	1.2	4.8	1.0	100.0	3.7
1972	69.0	5.1	6.5	5.7	3.8	0.1	0.5	0.3	2.2	1.3	4.2	1.4	100.0	3.8
1973	70.8	4.3	6.3	4.3	3.8	0.1	0.5	0.2	2.3	1.3	4.4	1.6	100.0	4.0
1974	67.4	3.5	6.1	4.5	3.6	0.1	0.5	0.2	2.2	1.4	6.4	4.2	100.0	8.1
1975	68.1	3.5	6.0	3.5	3.5	0.1	0.4	0.2	2.1	1.3	5.2	6.2	100.0	9.2
1976	68.8	3.1	5.3	4.1	3.3	0.1	0.4	0.2	3.1	1.4	5.5	4.7	100.0	8.4
1977	70.3	3.0	5.6	4.3	3.0	0.1	0.3	0.2	2.9	0.9	5.8	3.5	100.0	7.0

Source: Statistics Canada - various trade publications and CANSIM  
Note: a) Includes Yugoslavia and Turkey



The most important source of Canadian imports from other countries is Latin America, with crude petroleum - mainly from Venezuela - representing some 60 percent of the total. Nevertheless, imports from Latin America have declined from some 8 percent for the years 1960-1964 to 4.2 percent in 1972 before rising to some 6 percent in the years 1974-1977. The next important region as a source of Canadian imports is the group covering the Middle East and miscellaneous other countries. The increase in our imports from this region coincides with the rise in the ratio of Canada's imports from the OPEC countries.

The share of Canadian imports from Other Asia has moved upward since 1972 to some 3 percent for the years 1976-77 after averaging some 1 3/4 percent prior to 1972. Much of the increase in the share in recent years has been due to substantial imports of clothing and footwear from such countries as South Korea and Taiwan.

#### **5.4 COMPOSITION OF CANADA'S TRADE**

##### **5.4.1 The United States**

Earlier it was noted that the United States is now the destination for at least two-thirds of Canada's exports as compared to some 55 percent in the early sixties (Table 5.2). While all major commodity exports to the United States increased substantially, those in the inedible end products group expanded nearly 60 times in value since 1960 as compared to only 10 times for exports of all goods to that market (Table 5.5). At the same time, exports to "overseas countries" (i.e. all countries excluding the United States) increased only 5 1/2 times in value with end products going up 13 times (Table 5.7).

The changing structure of Canadian exports noted in Chapter II was due to the rapid expansion in exports of finished manufactured goods (i.e. inedible end products) to the United States. This expansion in trade was due to a number of special factors, of which the most important was the Canada/United States Automotive Products Agreement of 1965. Others include: the Canada/United States Defense Production Sharing Arrangements; the rationalization of machinery production by large multinational companies between their plants in the United States and those of their subsidiaries in Canada; and the negotiation of special production and sales agreements by Canadian authorities when they awarded large contracts to multinational companies for such items as commercial or military aircraft. As a result of such special factors, along with the fact that Canadian plants are so close to the large American markets where fairly low tariffs are in effect, the United States is now the destination of some 80 percent of Canadian exports of finished manufactured goods. This compares to some 55 percent in the early sixties, a high of 87 percent in 1969 and some 86 percent in the years 1971 to 1973. The ratio declined to its present level with the winding down of the war in Vietnam which terminated in 1975.

TABLE 5.5

## CANADIAN EXPORTS TO THE UNITED STATES, 1960 to 1977

## BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Domestic	Re-exports	Total	Memorandum Items:	
									Crude Petroleum and Natural Gas	Automotive Goods
1960	327	677	1,697	222	9	2,932	104	3,036	113	16
1961	359	695	1,761	284	9	3,107	107	3,215	194	14
1962	370	884	1,968	376	10	3,608	136	3,745	305	15
1963	371	881	2,069	425	19	3,766	147	3,913	309	37
1964	392	979	2,237	643	20	4,271	166	4,437	360	97
1965	481	1,012	2,482	847	18	4,840	192	5,033	364	231
1966	493	1,123	2,761	1,626	20	6,028	207	6,234	430	841
1967	465	1,186	2,822	2,598	18	7,088	244	7,332	522	1,596
1968	539	1,373	3,351	3,703	31	8,997	288	9,285	600	2,536
1969	602	1,371	3,573	4,637	27	10,211	340	10,551	702	3,308
1970	660	1,526	3,603	4,651	23	10,563	337	10,900	855	3,260
1971	656	1,735	3,912	5,355	25	11,683	342	12,025	1,038	3,963
1972	735	2,003	4,668	6,142	36	13,585	388	13,973	1,314	4,501
1973	939	2,734	5,720	7,198	40	16,671	458	17,129	1,833	5,161
1974	876	5,042	7,043	7,736	66	20,762	637	21,399	3,913	5,375
1975	918	5,230	6,527	8,339	60	21,074	623	21,697	4,144	5,833
1976	1,040	5,323	8,381	10,397	92	25,233	661	25,894	3,903	7,627
1977	1,260	5,462	10,852	12,693	52	30,319	708	31,027	3,779	9,531

Source: Statistics Canada - various trade publications and CANSIM

TABLE 5.6  
MERCHANDISE EXPORTS TO THE UNITED STATES  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>  
1960 - 1977

	Food, Feed, Beverages And <sup>2</sup> Tobacco	Inedible Crude Materials Petroleum Total & Gas	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products) Total Automotive	Re-exports
1960	10.8	22.3 3.7	55.9	7.3 0.5	3.4
1961	11.2	21.6 6.0	54.8	8.8 0.4	3.3
1962	9.9	23.6 8.1	52.6	10.0 0.4	3.6
1963	9.5	22.5 7.9	52.9	10.9 0.9	3.8
1964	8.8	22.1 8.1	50.4	14.5 2.2	3.7
1965	9.6	20.1 7.6	49.3	16.8 4.6	3.8
1966	8.0	18.0 6.9	44.3	26.1 13.5	3.3
1967	6.3	16.2 7.1	38.5	35.4 21.6	3.3
1968	5.8	14.8 6.5	36.1	39.9 27.3	3.1
1969	5.7	13.0 6.7	33.9	43.9 31.4	3.2
1970	6.1	14.9 7.8	33.1	42.7 29.9	3.1
1971	5.5	14.4 8.6	32.5	44.5 33.0	2.8
1972	5.3	14.3 9.4	33.4	44.0 32.2	2.8
1973	5.5	16.0 10.7	33.4	42.0 30.1	2.7
1974	4.1	23.6 18.3	32.9	36.2 25.1	3.0
1975	4.2	24.1 19.1	30.1	38.4 26.9	2.9
1976	4.0	20.6 15.1	32.4	40.2 29.5	2.6
1977	4.1	17.6 12.2	35.0	40.9 30.7	2.3

<sup>1</sup> Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.2 to 0.5 percent of the total over the whole period.

<sup>2</sup> Including live animals

TABLE 5.7

CANADIAN IMPORTS FROM THE UNITED STATES, 1960 TO 1977

BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total	Memorandum Items:	
							Crude Petroleum and Natural Gas	Automotive Goods
1960	296	326	915	2,074	76	3,687	2	409
1961	327	335	937	2,185	80	3,864	4	398
1962	348	360	982	2,498	112	4,300	3	503
1963	367	384	1,037	2,533	124	4,445	2	581
1964	372	443	1,197	2,955	197	5,164	3	699
1965	385	491	1,350	3,578	241	6,045	6	979
1966	414	506	1,482	4,452	281	7,136	2	1,443
1967	450	512	1,495	5,324	236	8,017	28	1,981
1968	469	538	1,580	6,244	219	9,051	37	2,771
1969	526	452	1,912	7,207	148	10,243	17	3,222
1970	516	535	1,915	6,832	119	9,917	5	2,898
1971	540	577	1,981	7,733	120	10,951	7	3,615
1972	655	644	2,233	9,195	151	12,878	8	4,289
1973	992	780	2,824	11,714	192	16,502	8	5,512
1974	1,241	1,078	4,209	14,627	232	21,388	6	6,432
1975	1,320	1,432	4,044	16,578	266	23,641	8	7,574
1976	1,549	1,404	4,408	18,066	325	25,752	19	8,610
1977	1,704	1,810	4,963	20,879	273	29,630	284	10,521

Source: Statistics Canada - various trade publications and CANSTM



TABLE 5.8  
MERCHANDISE IMPORTS FROM THE UNITED STATES  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP  
1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>1</sup>	Inedible Crude Materials		Inedible Fabricated Materials	Finished Manufactured Goods (Ined. End Products)		Special Trans- actions
		Total	Petroleum & Gas		Total	Automotive	
1960	8.0	8.8	0.1	24.8	56.3	11.1	2.1
1961	8.5	8.7	0.1	24.2	56.5	10.3	2.1
1962	8.1	8.4	0.1	22.8	58.1	11.7	2.6
1963	8.3	8.6	..	23.3	57.0	13.1	2.8
1964	7.2	8.6	0.1	23.2	57.2	13.5	3.8
1965	6.4	8.1	0.1	22.3	59.2	16.2	4.0
1966	5.8	7.1	..	20.8	62.4	20.2	3.9
1967	5.6	6.4	0.3	18.6	66.4	24.7	2.9
1968	5.2	5.9	0.4	17.5	69.0	30.6	2.4
1969	5.1	4.4	0.2	18.7	70.4	31.5	1.4
1970	5.2	5.4	0.1	19.3	68.9	29.2	1.2
1971	4.9	5.3	0.1	18.1	70.6	33.0	1.1
1972	5.1	5.0	0.1	17.3	71.4	33.3	1.2
1973	6.0	4.7	..	17.1	71.0	33.4	1.2
1974	5.8	5.0	..	19.7	68.4	30.1	1.1
1975	5.6	6.1	..	17.1	70.1	32.0	1.1
1976	6.0	5.5	0.1	17.1	70.2	33.4	1.3
1977	5.8	6.1	1.0	16.7	70.5	35.5	0.9

<sup>1</sup>Including Live Animals

.. Negligible

An analysis of other commodity groups shows that the United States has been the destination for close to 70 percent of Canada's exports of inedible fabricated materials (i.e. primary manufactured goods) since 1968 as compared to just over 60 percent at the beginning of the sixties. However, the ratios tend to be quite variable due to the cyclical nature of demand for such commodities, as well as those in the inedible crude materials and foodstuffs sections. The United States accounted for some 60 percent of Canadian exports of crude materials in both 1960 and in 1977 although the ratio was as low as 54 percent in 1973 and as high as 65 percent in 1962 and in the years 1974 and 1975. The changing ratio for recent years reflect volume and price changes for crude petroleum and natural gas. It is only in the food, feed, beverages and tobacco section that Canada is more dependent on "overseas countries". This is because the United States is a leading producer of food as well as being the world's major exporter of such goods. Thus the United States is the destination for only about 30 percent of Canadian exports of foodstuffs although this has varied from a low of 21 percent in 1964 and 22 percent in the years 1974 and 1975 to a high of 41 percent in 1969. The reason for this wide variation in the ratios over the years is the importance of wheat in this commodity group and the highly cyclical nature of foreign demand for wheat is mainly related to crop conditions in Russia and China.

Inedible end products now represent some 40 percent of the value of our exports to the United States as compared to 17 percent in 1965 and under 10 percent in 1960. While the rising trend in end products was developing throughout the sixties, the most striking advance took place in the second half following the implementation of the Autopact in 1965. While automotive goods were mainly responsible for the increased share, higher exports of industrial machinery - in response to rising capital expenditures in the United States - and airplane parts including engines - as a result of increased aircraft production due to the escalation in the war in Vietnam - were also of some importance.

While the share of exports of inedible end products rose sharply since 1960, the share of inedible fabricated materials declined from some 55 percent in the total in the early sixties to a low of 30 percent in 1975 before improving somewhat in the next two years to 35 percent in 1977. Thus the improvement in the inedible end products group was largely at the expense of inedible fabricated materials which was the leading commodity group of exports to the United States in 1960.

The share of inedible crude materials in relation to total exports to the United States showed a moderate decline from some 22 percent in the first half of the sixties to a low of 13 percent in 1969 before rising to some 24 percent in 1974-75. The improvement after 1969 was the result of a gradual relaxation in American import quotas for crude petroleum along with higher prices for this commodity since late 1973. Thereafter the ratio started to decline because of restrictions on the volume of exports of crude petroleum - which peaked in 1973 - as a result of a change in Canada's energy policy.

The ratio of food, feed, beverages and tobacco, to total exports to the United States declined steadily from some 11 percent at the beginning of the sixties to some 4 percent since 1974. Canada's exports to the U.S. in this group are mainly whisky and fish.

As with exports, Canada is greatly dependent on the United States as a source for our imports. Nevertheless, the change in the share from some 67 percent of the value of total imports at the beginning of the sixties to some 70 percent since 1965 is not as marked as the change for exports. However, the shift in the commodity composition is quite significant in that 70 percent of our imports from the United States have been inedible end products since 1969 in comparison to just under 60 percent in the first half of the sixties (Table 5.8). As with exports most of the increase in the inedible end products share took place after 1965 as a result of the Auto Pact.

The change in the ratios for imports from the United States was somewhat similar to exports, in that the share of the other commodity groups also declined. The greatest drop since 1960 was in imports of inedible fabricated materials from some 24 percent of the total in the early sixties down to 17 percent in recent years. While we have been importing increasing quantities of fresh fruit and vegetables from the United States during the non-growing season in Canada, the share of food and related products declined from some 8 percent down to 6 percent in recent years. As noted earlier, the decline in the share of exports of food and related products to the United States was much greater. Canada imports very little inedible crude materials, other than coal, from the United States and the ratio for this commodity group also showed a decline. In this case the drop was from some 9 percent in 1960 to around 6 percent in recent years.

TABLE 5.9

## CANADIAN EXPORTS TO OVERSEAS COUNTRIES, 1960 to 1977

## BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Domestic	Re-exports	Memorandum Item :	
								Total	Automotive Goods
1960	661	438	1,031	189	5	2,323	27	2,350	52
1961	906	501	1,017	222	3	2,648	33	2,681	33
1962	870	478	939	279	5	2,570	33	2,603	42
1963	1,091	545	1,038	354	6	3,032	35	3,067	51
1964	1,448	637	1,265	466	6	3,823	43	3,866	81
1965	1,228	752	1,247	453	5	3,685	50	3,734	125
1966	1,468	825	1,251	493	5	4,043	48	4,091	153
1967	1,180	923	1,407	518	5	4,032	56	4,088	153
1968	1,074	1,095	1,504	649	7	4,328	66	4,394	209
1969	862	1,092	1,589	681	8	4,233	87	4,320	206
1970	1,208	1,458	2,263	900	8	5,838	82	5,920	239
1971	1,456	1,529	1,885	838	5	5,713	82	5,795	208
1972	1,620	1,556	1,910	994	5	6,086	91	6,177	217
1973	2,178	2,291	2,504	1,189	5	8,167	125	8,292	254
1974	2,995	2,751	3,653	1,501	13	10,913	130	11,043	342
1975	3,229	2,736	3,357	2,134	19	11,474	156	11,631	599
1976	3,235	2,951	3,808	2,311	38	12,343	160	12,503	597
1977	3,286	3,388	4,073	2,424	16	13,187	162	13,349	808

Source: Statistics Canada - various trade publications and CANSIM.



TABLE 5.10  
MERCHANDISE EXPORTS TO OVERSEAS COUNTRIES  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>  
1960 - 1977

	Food, Feed, Beverages and <sup>2</sup> Tobacco	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manu. Goods (Inedible End Products)		
				Total	Automotive	Re-exports
1960	28.1	18.6	43.9	8.0	2.2	1.1
1961	33.8	18.7	37.9	8.3	1.2	1.2
1962	33.4	18.4	36.1	10.7	1.6	1.3
1963	35.6	17.8	33.8	11.5	1.7	1.1
1964	37.5	16.5	32.7	12.1	2.1	1.1
1965	32.9	20.1	33.4	12.1	3.3	1.3
1966	35.9	20.2	30.6	12.1	3.7	1.2
1967	28.9	22.6	34.4	12.7	3.7	1.4
1968	24.4	24.9	34.2	14.8	4.8	1.5
1969	20.0	25.3	36.8	15.8	4.8	2.0
1970	20.4	24.6	38.2	15.2	4.0	1.4
1971	25.1	26.4	32.5	14.5	3.6	1.4
1972	26.2	25.2	30.9	16.1	3.5	1.5
1973	26.3	27.6	30.2	14.3	3.1	1.5
1974	27.1	24.9	33.1	13.6	3.1	1.2
1975	27.8	23.5	28.9	18.3	5.2	1.3
1976	25.9	23.6	30.5	18.5	4.8	1.3
1977	24.6	25.4	30.5	18.2	6.1	1.2

<sup>1</sup>Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.1 to 0.3 percent of the total over the world period.

<sup>2</sup>Including live animals

TABLE 5.11

CANADIAN IMPORTS FROM OVERSEAS COUNTRIES, 1960 TO 1977

BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions Trade	Total	Memorandum Items:	
							Crude Petroleum and Natural Gas	Automotive Goods
1960	285	419	420	653	18	1,796	279	174
1961	302	428	451	702	21	1,905	289	130
1962	317	466	507	653	16	1,958	304	122
1963	413	513	534	639	14	2,114	335	88
1964	422	518	616	746	21	2,323	321	119
1965	385	515	764	898	26	2,588	312	145
1966	390	517	751	1,031	41	2,731	299	135
1967	434	550	815	1,226	31	3,059	348	185
1968	449	591	854	1,375	40	3,310	371	230
1969	537	634	994	1,678	44	3,887	393	434
1970	600	636	970	1,786	42	4,035	208	353
1971	617	745	1,160	2,099	47	4,667	245	495
1972	745	896	1,346	2,753	52	5,791	281	645
1973	989	1,236	1,458	3,084	55	6,822	941	569
1974	1,275	2,995	2,272	3,736	58	10,335	2,646	612
1975	1,362	3,653	1,900	4,101	59	11,074	3,302	638
1976	1,322	3,687	1,803	4,710	171	11,693	3,264	726
1977	1,604	3,496	2,036	5,243	148	12,526	2,959	799

Source: Statistics Canada - various trade publications and CANSIM.

TABLE 5.12  
MERCHANDISE IMPORTS FROM OVERSEAS COUNTRIES  
PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP  
1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>1</sup>	Inedible Crude Materials		Inedible Fabricated Materials	Finished Manu. Goods (Ined. End Products)		Special Trans- actions
		Total	Petroleum		Total	Automotive	
1960	15.9	23.3	15.5	23.4	36.4	9.7	1.0
1961	15.9	22.5	15.2	23.7	36.9	6.8	1.1
1962	16.2	23.8	15.5	25.9	33.4	6.2	0.8
1963	19.5	24.3	15.8	25.3	30.2	4.2	0.7
1964	18.2	22.3	13.8	26.5	32.1	5.1	0.9
1965	14.9	19.9	12.1	29.5	34.7	5.6	1.0
1966	14.3	18.9	10.9	27.5	32.8	4.9	1.5
1967	14.2	18.0	11.4	26.6	40.1	6.0	1.0
1968	13.6	17.9	11.2	25.8	41.5	6.9	1.2
1969	13.8	16.3	10.1	25.6	43.2	11.2	1.1
1970	14.9	15.8	5.2	24.0	44.3	8.7	1.0
1971	13.2	16.0	5.2	24.9	45.0	10.6	1.0
1972	12.9	15.5	4.9	23.2	47.5	11.1	0.9
1973	14.5	18.1	13.8	21.4	45.2	8.3	0.8
1974	12.3	29.0	25.6	22.0	36.1	5.9	0.6
1975	12.3	33.0	29.8	17.2	37.0	5.8	0.5
1976	11.3	31.5	27.9	15.4	40.3	6.2	1.5
1977	12.8	27.9	23.6	16.3	41.9	6.4	1.2

<sup>1</sup>Including Live Animals.

#### **5.4.2 Composition of Trade with Countries Other than the U.S.**

The composition of Canada's exports to countries other than the United States is strikingly different than that to the United States. For instance, finished manufactured goods account for only 18 percent of the value of our total exports to overseas countries (Table 5.7). Nevertheless, there has been some increase in our trade in such commodities, with the share rising from some 8 percent at the beginning of the sixties. At the same time, imports of inedible end products are quite important in that they are responsible for some 40 percent of total imports from overseas countries in comparison to some 30 to 36 percent in the first half of the sixties (Table 5.12). It is significant that the import share for this commodity group ranged up to around 45 percent for the years from 1970 to 1973.

The pattern in exports of other major commodity groups is somewhat different in that the share for exports of food and related products declined slightly to 25 percent, that for inedible fabricated materials dropped sharply from around 40 percent in the early sixties to 30 percent in recent years while the share for inedible crude materials rose from just under 20 percent to around 25 percent in recent years.

In respect to imports from overseas markets, there was also an increase in the share for inedible crude materials in recent years, largely as a result of higher priced oil imports, after declining from just over 20 percent in the early 1960's down to some 16 percent between 1969 and 1972. There has been a significant decline in the share of inedible fabricated materials to total imports from overseas countries since 1960. In this case, the ratio rose somewhat in the early sixties to nearly 30 percent in 1965 but declined thereafter to some 16 percent in recent years. In respect to food and related products, there has been only a slight change in the ratios since 1960 although there was a sharp increase for the period 1963-64.

##### **5.4.2.1 The United Kingdom**

Since 1960 both Canadian exports and imports to/from the United Kingdom doubled in value to \$1.9 million and \$1.3 million respectively (Tables 5.13 to 5.16). Thus the expansion in trade with Britain was quite slow in relation to that for Canadian trade with other markets, although over the years Canada has enjoyed a surplus - \$665 million in 1977 - in merchandise trade with the United Kingdom. Some 60 percent of Canada's imports from the United Kingdom since 1960 were inedible end products, whereas only 10 percent of our exports were in this group. Nevertheless, there has been some improvement since 1960 when only 2 percent of our exports to the United Kingdom were end products. While our imports of end products from the United Kingdom are quite wide-ranging, corresponding exports to that country tend to be restricted to such commodity groups as boats, ships and parts, industrial machinery and office machines and equipment.



TABLE 5.13

## CANADIAN EXPORTS TO THE U.K., 1960 TO 1977

## BY MAJOR COMMODITY GROUP

(millions of dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Domestic	Re-exports	Memorandum Item:	
								Total	Automotive Goods
1960	258	179	460	18	0	915	10	925	2
1961	238	205	440	26	0	909	12	921	1
1962	270	172	436	31	0	909	11	920	1
1963	298	216	457	35	1	1,007	8	1,015	2
1964	312	236	603	49	1	1,200	7	1,207	3
1965	302	256	567	48	0	1,174	11	1,185	4
1966	287	232	548	56	1	1,123	9	1,132	3
1967	293	246	571	58	0	1,169	9	1,178	3
1968	271	276	591	71	0	1,210	16	1,226	3
1969	259	237	531	70	0	1,096	17	1,113	7
1970	258	316	800	107	0	1,481	20	1,501	5
1971	279	333	643	125	0	1,380	15	1,395	6
1972	279	306	659	124	0	1,370	16	1,385	3
1973	337	312	777	161	1	1,588	17	1,604	3
1974	397	361	991	163	0	1,912	17	1,929	7
1975	357	416	824	197	1	1,795	23	1,818	4
1976	385	387	925	156	3	1,856	22	1,878	6
1977	350	440	937	201	0	1,929	18	1,946	5

Source: Statistics Canada - various trade publications and CANSIM

TABLE 5.14

MERCHANDISE EXPORTS TO THE U.K.

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and <sup>2</sup> Tobacco	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products) Total	Automotive	Re-exports
1960	27.9	19.4	49.7	1.9	0.2	1.1
1961	25.8	22.3	47.8	2.8	0.1	1.3
1962	29.3	18.7	47.4	3.4	0.1	1.2
1963	29.4	21.3	45.0	3.4	0.2	0.8
1964	25.8	19.6	50.0	4.1	0.2	0.6
1965	25.5	21.6	47.8	4.1	0.3	0.9
1966	25.4	20.5	48.4	4.9	0.2	0.8
1967	24.9	20.9	48.5	4.9	0.2	0.8
1968	22.1	22.5	48.2	5.8	0.2	1.3
1969	23.3	21.3	47.7	6.3	0.6	1.5
1970	17.2	21.1	53.3	7.1	0.3	1.3
1971	20.0	23.9	46.1	9.0	0.5	1.1
1972	20.1	22.1	47.6	9.0	0.2	1.2
1973	21.0	19.5	48.4	10.0	0.2	1.1
1974	20.6	18.7	51.4	8.4	0.4	0.9
1975	19.6	22.9	45.3	10.8	0.2	1.3
1976	20.5	20.6	49.3	8.3	0.3	1.2
1977	18.0	22.6	48.2	10.3	0.3	0.9

<sup>1</sup>Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.0 to 0.2 percent of the total over the whole period.

<sup>2</sup>Including live animals

TABLE 5.15

CANADIAN IMPORTS FROM THE U.K., 1960 TO 1977

BY MAJOR COMMODITY GROUP

(millions of dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Imports	Memorandum Item: Automotive Goods
1960	33	25	167	357	6	589	119
1961	34	28	160	388	8	618	77
1962	32	31	177	317	6	563	68
1963	32	36	169	285	5	527	35
1964	35	37	180	313	8	574	59
1965	40	37	190	343	9	619	57
1966	44	32	175	380	13	645	55
1967	43	30	177	414	9	673	51
1968	46	28	184	422	16	696	74
1969	50	28	199	502	13	791	95
1970	49	24	193	460	11	738	63
1971	56	24	220	526	11	837	85
1972	61	25	234	617	13	949	103
1973	70	33	252	639	11	1,005	74
1974	91	30	333	660	13	1,126	56
1975	113	24	299	773	14	1,222	64
1976	108	37*	275	705	26	1,150	66
1977	144	44	349	723	22	1,281	49

\* Includes \$7 million of crude petroleum.

Source: Statistics Canada - various trade publications and CANSIM.

TABLE 5.16

MERCHANDISE IMPORTS FROM THE U.K.

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>2</sup>	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products)		Total
				Total	Automotive	
1960	5.6	4.2	28.4	60.6	20.2	100.0
1961	5.5	4.5	25.9	62.8	12.4	100.0
1962	5.7	5.5	31.4	56.3	12.1	100.0
1963	6.1	6.8	32.1	54.1	6.7	100.0
1964	6.1	6.4	31.4	54.5	10.2	100.0
1965	6.5	6.0	30.7	55.4	9.2	100.0
1966	6.8	5.0	27.1	58.9	8.5	100.0
1967	6.4	4.5	26.3	61.5	7.6	100.0
1968	6.6	4.0	26.4	60.6	10.6	100.0
1969	6.3	3.5	25.2	63.5	12.0	100.0
1970	6.6	3.3	26.2	62.3	8.2	100.0
1971	6.7	2.9	26.3	62.8	10.1	100.0
1972	6.4	2.6	24.7	65.0	10.9	100.0
1973	7.0	3.3	25.1	63.6	7.4	100.0
1974	8.1	2.7	29.6	58.6	4.9	100.0
1975	9.2	2.0	24.5	63.6	5.3	100.0
1976	9.4	3.2	23.9	61.3	5.7	100.0
1977	11.2	3.4	27.2	56.4	3.9	100.0

<sup>1</sup> Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.9 to 2.3 percent of the total over the whole period.

<sup>2</sup> Including live animals



The changing pattern in Canadian trade with the United Kingdom was due to a number of special factors. For instance, there were increasing exports of resource-based commodities to Britain in the sixties from Sweden and Finland as a result of the formation of the European Economic Community. Later these countries acquired a special relationship with the European Economic Community when Britain joined the EEC in 1973. Another factor was the establishment of a primary aluminum smelter in Britain in the early seventies which, for all practical purposes, terminated Canadian exports to that market after 1974.

Canadian exports to the United Kingdom consist principally of inedible fabricated materials with this commodity section representing just under 50 percent of the total over the years. Such exports destined to Britain are mainly woodpulp, newsprint, softwood lumber and copper metal. Exports of both inedible crude materials and foodstuffs constitute some 20 percent of Canadian shipments to the United Kingdom although food, feed, beverages and tobacco declined from a ratio of over 25 percent which prevailed during most of the sixties. The leading crude materials shipped to Britain in recent years were nickel ores and concentrates followed far behind in value by other miscellaneous minerals. Similarly, wheat is by far the most important commodity in the food, feed, beverages and tobacco section.

Inedible fabricated materials represent just over a quarter of Canada's imports from Britain and consist chiefly of chemicals, iron and steel products and textiles whereas imports of inedible end products are quite wide ranging. Over the years imports of food, feed, beverages and tobacco accounted for some 6 percent of Canada's imports from Britain but in recent years this ratio has risen to reach a high of 11 percent in 1977. The major items in this commodity group are whiskey and other alcoholic beverages followed by chocolates and other candy, cocoa, chocolate, coffee and tea. Imports of inedible crude materials account for only some 3 percent of our imports from the United Kingdom and wool is the major commodity in this section.

#### 5.4.2.2 Other Countries of the European Economic Community

Canadian trade with the other member countries of EEC<sup>1</sup> expanded at a much faster pace than our trade with the United Kingdom. Canadian exports to these countries increased six times since 1960 to total \$2.8 billion in 1977. Nevertheless, the other EEC countries now account for only 6 percent of Canadian exports to all countries as compared to 8 percent in the early sixties. At the same time, even though imports from these countries went up nearly 8 times to total \$2.3 billion in 1977 they still only account for about 5 1/2 percent of total Canadian imports

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<sup>1</sup> Trade data for the period 1960 to date refer to the other 8 countries, excluding Britain which are currently members of the EEC.

(Tables 5.17 to 5.20). Over the years Canada has had a trade surplus - \$401 million in 1977 - with the other EEC countries with the exception of a slight deficit in 1972. The commodity pattern of our exports to the other EEC countries is somewhat different than for the United Kingdom in that the shares of our exports accounted for by inedible end products and inedible crude materials were somewhat higher, whereas the share of inedible fabricated materials at just under 40 percent, was some 10 percentage points lower than for the United Kingdom.

The leading commodities in the inedible fabricated materials group are woodpulp followed by other forest - chiefly softwood lumber- and mineral products - chiefly copper. The next important group is inedible crude materials with such exports increasing from just under 25 percent of the total in the early sixties to around 30 percent in the seventies and a high of around 35 percent for a number of years between 1968-73. The major export commodity in this group is iron ores, including concentrates, although there are sizeable Canadian exports of other metal ores and asbestos to the region. The exports of flaxseed and other oil seeds are also of importance and appear to be the cause of the higher share for exports of crude materials in certain years. Iron ores also represented a much higher proportion of total Canadian exports of crude materials to the other EEC in earlier years.

Canadian exports of food, feed, beverages and tobacco show sizeable shifts in relation to total exports to the other EEC countries over the years. For instance, foodstuffs accounted for up to 35 percent of total exports in the early sixties compared to only 20 percent in recent years. Wheat, barley and fish are the major foodstuffs exported from Canada to the other EEC countries. Canada has had some success in building up its exports of inedible end products to this market although there was a decline in 1977 in both the value and the share in 1976. The major products in this group in 1977 were automobiles and parts, ships, boats and parts, office machines and equipment along with apparel and accessories.

The major Canadian imports from the other EEC countries are those in the inedible end products section. These now account for some 60 percent of the total compared to just under 55 percent in the early sixties. Such imports are quite varied although industrial machinery and automotive goods bulk large in the total. The share of inedible fabricated materials in overall imports from the other EEC region declined from some 33 percent in the first half of the sixties to about 23 percent in recent years. The major items in this commodity group are chemicals along with iron and steel products. However, textiles in this group along with clothing and other apparel in the end products group together represent a sizeable share of total imports. Inedible crude materials represent only a small proportion of total imports from the other EEC countries. It is interesting to note that imports of foodstuffs, which had accounted for just under 10 percent of total imports over the years, jumped suddenly in both value and share of the total in 1977. The major products in this group are such things as cheese, wines, barley, liqueurs and other alcoholic beverages. The expansion of food, feed, beverages and tobacco from the other EEC countries in 1977 was in imports of various beverages but mainly wines.

TABLE 5.17

CANADIAN EXPORTS TO OTHER EEC\*, 1960 TO 1977

BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Domestic	Re-exports	Total	Memorandum Item: Automotive Goods
1960	132	106	184	29	0	451	5	456	1
1961	176	111	151	43	0	482	8	490	1
1962	161	111	133	65	1	471	7	479	1
1963	179	87	139	86	1	492	13	505	1
1964	172	149	167	89	1	578	11	589	4
1965	189	201	183	78	1	652	11	662	9
1966	180	217	190	74	1	662	9	671	8
1967	189	222	236	62	0	709	12	721	5
1968	149	273	275	75	1	774	15	789	6
1969	133	314	328	96	0	873	15	887	5
1970	189	397	471	168	1	1,226	16	1,242	4
1971	232	393	393	105	0	1,129	16	1,145	7
1972	210	381	387	178	1	1,158	21	1,178	10
1973	272	542	526	211	0	1,552	29	1,581	14
1974	454	641	811	239	1	2,146	29	2,175	9
1975	468	676	903	298	2	2,347	36	2,383	16
1976	511	723	1,063	362	4	2,663	35	2,699	16
1977	529	816	1,084	295	2	2,727	42	2,769	23

\* EEC of 9 excluding the United Kingdom

Source: Statistics Canada - various trade publications and CANSIM

TABLE 5.18

MERCHANDISE EXPORTS TO OTHER EEC (9)

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>2</sup>	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products) Total Automotive	Re-exports
1960	28.9	23.2	40.4	6.4 0.3	1.1
1961	35.9	22.7	30.8	8.8 0.2	1.6
1962	33.6	23.2	27.8	13.6 0.1	1.5
1963	35.4	17.2	27.5	17.0 0.1	2.6
1964	29.2	25.3	28.4	15.1 0.7	1.9
1965	28.5	30.4	27.6	11.8 1.4	1.7
1966	26.8	32.3	28.3	11.0 1.2	1.3
1967	26.2	30.8	32.7	8.6 0.7	1.7
1968	18.9	34.6	34.9	9.5 0.8	1.9
1969	15.0	35.4	37.0	10.8 0.5	1.7
1970	15.2	32.0	37.9	13.5 0.4	1.3
1971	20.3	34.8	34.3	9.2 0.6	1.4
1972	17.8	32.3	32.9	15.1 0.9	1.8
1973	17.2	34.3	33.3	13.3 0.9	1.8
1974	20.9	29.5	37.3	11.0 0.4	1.3
1975	19.6	28.4	37.9	12.5 0.7	1.5
1976	18.9	26.8	39.4	13.4 0.6	1.3
1977	19.1	29.5	39.1	10.7 0.8	1.5

<sup>1</sup>Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.0 to 0.2 percent of the total over the whole period.

<sup>2</sup>Including live animals



TABLE 5.19

CANADIAN IMPORTS FROM OTHER EEC\*. 1960-1977

BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials Inedible	End Products, Inedible	Special Transactions, Trade	Total	Memorandum Item: Automotive Goods
1960	28	8	99	165	5	305	52
1961	31	8	112	177	5	334	50
1962	30	10	121	187	4	353	49
1963	33	9	121	193	3	360	45
1964	37	10	145	230	5	427	51
1965	42	12	199	282	7	541	64
1966	52	13	184	321	11	581	54
1967	60	13	201	379	9	663	62
1968	57	12	200	419	9	698	95
1969	72	13	235	498	12	831	121
1970	78	13	207	537	14	849	134
1971	91	14	262	602	16	984	167
1972	103	16	343	737	16	1,215	166
1973	153	21	387	901	15	1,477	188
1974	159	37	620	1,086	19	1,920	219
1975	190	34	566	1,266	18	2,074	225
1976	195	48	468	1,238	42	1,991	215
1977	261	56	554	1,437	49	2,358	261

\* EEC of 9 excluding the United Kingdom

Source: Statistics Canada - various trade publications and CANSIM

TABLE 5.20

MERCHANDISE IMPORTS FROM OTHER EEC (9)

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and <sup>2</sup> Tobacco	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products)		
				Total	Automotive	Total
1960	9.2	2.6	32.5	54.1	17.0	100.0
1961	9.3	2.4	33.5	53.0	14.8	100.0
1962	8.5	2.8	34.3	53.0	14.0	100.0
1963	9.2	2.5	33.6	53.6	12.6	100.0
1964	8.7	2.3	34.0	53.9	11.9	100.0
1965	7.8	2.2	36.8	52.1	11.9	100.0
1966	9.0	2.2	31.7	55.2	9.2	100.0
1967	9.0	2.0	30.3	57.2	9.3	100.0
1968	8.2	1.7	28.7	60.0	13.6	100.0
1969	8.7	1.6	28.3	59.9	14.5	100.0
1970	9.2	1.5	24.4	63.3	15.8	100.0
1971	9.2	1.4	26.6	61.2	17.0	100.0
1972	8.5	1.3	28.2	60.7	13.7	100.0
1973	10.4	1.4	26.2	61.0	12.8	100.0
1974	8.3	1.9	32.3	56.6	11.4	100.0
1975	9.2	1.6	27.3	61.0	10.8	100.0
1976	9.8	2.4	23.5	62.2	10.8	100.0
1977	11.1	2.4	23.5	60.9	11.1	100.0

<sup>1</sup> Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.8 to 2.1 percent of the total over the whole period.

<sup>2</sup> Including live animals

#### 5.4.2.3 Japan

As noted earlier, Japan is the second most important individual country as a destination for Canadian exports and a source for our imports. There has been a phenomenal expansion in trade between Canada and Japan since 1960 with Canada enjoying a trade surplus over the years - \$715 million in 1977 (Tables 5.21 to 5.24). However, our trading relations with Japan are quite different than with other major developed countries, in that it is characterized by specialization in exports of raw materials and imports of finished products.

The size and pattern of Canada's trade with Japan has been determined by a number of factors. The Japanese government set out to move that country away from a dependence on textiles and light industries toward high technology industries with the enactment of the Machinery Industry Promotion Law of 1956. Results of this were the development of foreign markets, the seeking out of foreign supply sources and protection against imports. Thus, Japan was able to build up a large capacity in many high technology industries. In the immediate postwar period, including the fifties, Japan generally ran a deficit in its overall merchandise trade. During this time, Japanese policy called for cautious progress in relaxing imports during the latter half of the fifties and early sixties.

In June 1960, Japan published "The Outline for Trade and Foreign Exchange Liberalization Program" which set targets for import liberalization. There was then a major policy change in April 1962, and Japanese imports rose quite rapidly thereafter. At the same time, Japan made substantial investments in a number of countries such as Canada and Australia that were to provide it with basic resources, particularly in mining industries. Another factor was the rapid change in the pattern of Japanese diets and nutrition levels which had an effect on Japanese imports of foodstuffs. At first there was a change from rice to wheat and more recently, a trend to higher levels of animal products.

In light of the above Japanese developments and initiatives, it should be noted that Canada's exports of food, feed, beverages and tobacco to Japan, which, in the late fifties and early sixties constituted the leading commodity items, i.e., some 50 percent, declined to 25 percent or less after 1966. Major foodstuffs from Canada in recent years were wheat and meat - particularly pork. The decline in the share of food, feed, beverages and tobacco was accompanied by an increase in inedible crude material which now represent 50 percent or more of Canada's exports to Japan. Oil seeds, particularly rapeseed, are quite an important segment of this trade, and Canadian exports of rapeseed to Japan have increased rapidly over the years.

TABLE 5.21

CANADIAN EXPORTS TO JAPAN, 1960 TO 1977

BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total Domestic	Re-exports	Total	Memorandum Item: Automotive Goods
1960	89	62	24	4	0	179	1	180	0
1961	98	80	47	6	0	232	1	232	0
1962	93	82	29	11	0	215	1	216	0
1963	103	118	67	8	0	296	2	298	0
1964	116	120	85	9	0	330	2	332	0
1965	112	123	75	7	0	316	1	317	0
1966	130	160	93	10	0	394	1	395	0
1967	141	246	170	14	0	572	2	574	0
1968	126	271	195	14	0	607	1	608	0
1969	99	263	226	16	0	625	1	626	0
1970	132	406	252	20	0	810	2	813	1
1971	163	456	183	27	0	829	2	831	0
1972	207	525	203	25	0	961	4	965	0
1973	418	993	364	32	0	1,807	7	1,814	1
1974	516	1,196	454	60	0	2,227	4	2,231	2
1975	549	1,172	342	66	0	2,130	5	2,135	9
1976	643	1,231	460	57	1	2,392	4	2,397	1
1977	622	1,322	518	50	0	2,513	5	2,518	4

Source: Statistics Canada - various trade publications and CANSIM



TABLE 5.22

MERCHANDISE EXPORTS TO JAPAN

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>2</sup>	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products)		
				Total	Automotive	Re-exports
1960	49.4	34.4	13.3	2.2	0.0	0.6
1961	42.2	34.5	20.3	2.6	0.0	0.4
1962	43.1	38.0	13.4	5.1	0.0	0.5
1963	34.6	39.6	22.5	2.7	0.0	0.7
1964	34.9	36.1	25.6	2.7	0.0	0.6
1965	35.3	38.8	23.7	2.2	0.0	0.3
1966	32.9	40.5	23.5	2.5	0.1	0.3
1967	24.6	42.9	29.6	2.4	0.0	0.3
1968	20.7	44.6	32.1	2.3	0.0	0.2
1969	15.8	45.2	36.1	2.6	0.0	0.2
1970	16.2	49.9	31.0	2.5	0.1	0.2
1971	19.6	54.9	22.0	3.2	0.0	0.2
1972	21.5	54.4	21.0	2.6	0.0	0.4
1973	23.0	54.7	20.1	1.8	0.0	0.4
1974	23.1	53.6	20.3	2.7	0.1	0.2
1975	25.7	54.9	16.0	3.1	0.4	0.2
1976	26.8	51.4	19.2	2.4	0.1	0.2
1977	24.7	52.5	20.6	2.0	0.2	0.2

<sup>1</sup>Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.0 percent of the total over the whole period.

<sup>2</sup>Including live animals

TABLE 5.23

## CANADIAN IMPORTS FROM JAPAN, 1960 TO 1977

## BY MAJOR COMMODITY GROUP

(Millions of Dollars)

	Food, Feed, Beverages & Tobacco (incl. Live Animals)	Crude Materials, Inedible	Fabricated Materials, Inedible	End Products, Inedible	Special Transactions, Trade	Total	Memorandum Item: Automotive Goods
1960	7	0	36	65	3	110	0
1961	7	0	37	69	3	117	0
1962	8	0	45	70	2	125	1
1963	7	1	52	69	2	130	1
1964	9	0	76	87	3	174	4
1965	9	0	95	123	2	230	17
1966	9	2	97	139	5	253	14
1967	12	1	109	179	4	305	13
1968	11	1	110	235	4	360	32
1969	12	1	152	327	4	496	71
1970	18	1	170	388	5	582	112
1971	21	2	251	525	5	803	201
1972	28	2	261	775	6	1,071	324
1973	38	2	237	728	6	1,011	251
1974	34	3	456	931	6	1,430	338
1975	34	6	355	806	5	1,205	251
1976	43	3	328	1,122	29	1,524	377
1977	46	11	371	1,351	24	1,803	449

Source: Statistics Canada - various trade publications and CANSTM

TABLE 5.24

MERCHANDISE IMPORTS FROM JAPAN

PERCENTAGE DISTRIBUTION BY MAJOR COMMODITY GROUP<sup>1</sup>

1960 - 1977

	Food, Feed, Beverages and Tobacco <sup>2</sup>	Inedible Crude Materials	Inedible Fabricated Materials	Finished Manufactured Goods (Inedible End Products)	Total Imports
				Total Automotive	
1960	6.4	0.0	32.7	59.1	100.0
1961	6.0	0.0	31.6	59.0	100.0
1962	6.4	0.0	36.0	56.0	100.0
1963	5.4	0.8	40.0	53.1	100.0
1964	5.2	0.0	43.7	50.0	100.0
1965	3.9	0.0	41.3	53.5	100.0
1966	3.6	0.8	38.3	54.9	100.0
1967	3.9	0.3	35.7	58.7	100.0
1968	3.1	0.3	30.6	65.3	100.0
1969	2.4	0.2	30.6	65.9	100.0
1970	3.1	0.2	29.2	66.7	100.0
1971	2.6	0.2	31.3	65.4	100.0
1972	2.6	0.2	24.4	72.4	100.0
1973	3.8	0.2	23.4	72.0	100.0
1974	2.4	0.2	31.9	65.1	100.0
1975	2.8	0.5	29.5	66.9	100.0
1976	2.8	0.2	21.5	73.6	100.0
1977	2.6	0.6	20.6	74.9	100.0

<sup>1</sup> Shares will not sum to 100 percent because of the omission of special transactions which accounted for 0.4 to 2.7 percent of the total over the whole period.

<sup>2</sup> Including live animals

There have been sizeable Japanese investments including the awarding of long term contracts in Western Canada - particularly British Columbia - as an assurance of a reliable supply of copper, coal and other resource commodities. However, Japan has also diversified its sources of supply to include other countries such as Australia and, more recently, Brazil. Coal is by far the most important crude material exported to Japan from Canada with a value of \$529 million in 1977, or 40 percent of all crude materials exported to Japan. The value of rapeseed exports (\$228 million) and copper ores (\$208 million) together account for 33 percent of the group total. The remainder consists of other crude materials such as ores of iron, zinc, lead, etc., along with unmanufactured asbestos.

With the liberalization of imports in 1962, an improvement took place in exports of primary manufactured exports, i.e., inedible fabricated materials. Thus the share of such processed commodities in total exports to Japan currently account for 20 percent, with a high of 36 percent in 1969, compared to some 13 percent in the early sixties. Nevertheless, only a few commodities are involved in this group with lumber shipments valued at \$180 million in 1977 along with those of woodpulp at \$145 million together representing 63 percent of the total for inedible fabricated materials. Exports of aluminum and fertilizers (and fertilizer materials) together account for another 14 percent. As noted earlier, exports of finished manufactured goods (i.e., inedible end products) are quite small and represent only some 2 percent of total Canadian exports to Japan. In 1977, exports of end products to Japan were valued at only \$50 million with office machines and equipment the leading commodity group in recent years followed by medicinal and pharmaceutical products and supplies, and clothing. It is interesting to note that British Columbia is the source of just over half of these Canadian exports to Japan.

Japanese exports consist mainly of highly manufactured products and there has been a great deal of anxiety in recent years in both Europe and the United States about the extent of Japanese market penetration in steel and automobiles - and earlier for ships. In 1977, Canada imported \$1.8 billion worth of goods from Japan with \$1.35 billion, or 75 percent, in the inedible end products section. This compares to just under 60 percent in the early sixties and a low of 50 percent in 1964. Over the years there has been a change in the pattern of Canadian imports from Japan which, to a certain degree, is related to changes in Japan towards high technology industries. For instance, in the early sixties such commodities as textiles and clothing accounted for a higher share in our imports from Japan. Currently, automobiles, motorcycles and other vehicles along with automotive parts represent one-third of our imports of end products from Japan. This group of commodities is followed by televisions, radios and other telecommunication and related equipment which together accounted for nearly a quarter of all end products imported from Japan. The balance of our imports of end products tend to be quite wide ranging after these two major groups.



Canadian imports of both inedible fabricated materials and food, feed, beverages and tobacco have declined in relative importance to total imports over the years. Fabricated materials now represent some 20 percent of total imports with iron and steel products representing 40 percent and textiles over a quarter of all fabricated materials imported from Japan. Mandarines and other citrus fruit along with fish and marine animals constitute the bulk of Canada's comparatively small imports of foodstuffs from Japan.

## **5.5 REGIONAL TRADE BALANCES**

Generally, Canada had a merchandise trade deficit with the United States and a trade surplus with the rest of the world up until 1967. This pattern was altered in 1968-69 when the trade balance with the United States became positive. Since then the balance with the United States has remained positive with the exception of a slight deficit in 1970 and a sizeable one of nearly \$2 billion in 1975. The latter, together with the very small surplus of 1974, reflects, in part, the slump in the U.S. economy which Canada did not share and which bottomed out in the first quarter of 1975. During the sixties and early seventies, Canada had a rising trade surplus with the rest of the world, but, since 1974, that surplus has been declining although it increased somewhat in 1977. This decline in the trade surplus with the rest of the world since 1974 was related partly to the substantial price increases for imported oil. Actually, the volume of oil imports has declined somewhat since the peak reached in 1973. Canada has always had a trade surplus with Japan - except for 1972 - and one that has been growing since 1960. A similar pattern also exists for the continental EEC countries although there was a near balance in trade in 1972.



CHAPTER VI

CANADA'S SHARE OF WORLD MARKETS

BY

COMMODITY GROUPS AND REGIONS





## CHAPTER VI

### CANADA'S SHARE OF WORLD MARKETS BY COMMODITY GROUPS AND REGIONS

#### 6.1 INTRODUCTION

This chapter establishes some of the dimensions of Canada's participation in world trade and explores a number of factors contributing to that performance. For reasons already mentioned, particular attention is given to Canada's share of international trade in manufactured products. After a summary of main developments, the chapter proceeds with a brief overview of the global import market and Canada's role over the period 1962-1976.

The chapter then examines at closer range the extent of Canada's participation in the import market of the OECD countries as a whole, particularly in the last ten years. This is done for total commodity trade and for trade in manufactured goods. Canada's shares of sales to the OECD market are compared to those of other major industrial countries, followed by an examination of Canada's participation in sales to the OECD in manufactured goods. Finally, there is an explanation of Canada's position in several non-OECD market areas.

It should be noted that because of the need to use an international data base, Canadian trade data in this chapter, along with those of all other countries, are shown in U.S. dollars. In addition, international commodity data have been regrouped to approximate Canadian industrial sector definitions. Such sectoral groupings are not identical in value to those employing purely Canadian trade data because of various differences in concepts and definitions.

#### 6.2 SUMMARY

Based on actual import data for the OECD countries and Canadian export figures to non-OECD destinations, it is estimated that Canada's share of global imports stood at 4.0 percent in 1976, a slight decline from 4.2 percent in 1962 and a rather more noticeable decrease since 1970, when Canada's share stood at 5.3 percent. Canada's share of total OECD imports (where 90 percent of Canadian exports are directed) stood at 5.9 percent in 1962, rose to 6.8 percent by the end of the decade, and declined to 5.2 percent in 1976. The latter represents a small gain in the Canadian share since its 1974-75 recession level of 5.0 percent. In absolute terms, Canadian sales have risen from \$5.6 billion to \$35.6 billion between 1962 and 1976 while OECD imports rose in total from \$95.5 billion to \$684.8 billion over the same period. For manufactured goods, about 5.4 percent of the OECD's external requirements were met by Canada in 1962. This proportion increased to 6.8 percent by 1969 but fell back again to 5.2 percent in 1976.

At least three main factors can be identified as contributing to the overall decline in Canada's share over the period, particularly since the late 1960's.

First, a significant general influence on the Canadian share performance has been the accelerated pace of international trade in like commodities over about the last 10 years, specifically in manufactures. This is clear from an examination of data at the aggregate level of output and trade for the major industrial countries and where manufacturing has a predominant weight. Data at the detailed level in manufacturing also show that increased trade in like commodities is a fairly pervasive phenomenon in the case of Canadian industry (e.g. Chapter IV). Figures at the aggregate level of U.S. manufacturing also indicate that exports since the mid-1960's have become a higher percentage of output, while imports have satisfied a higher proportion of domestic demand. A more limited period of data for major U.S. sectors corroborates the increased importance of international trade. Significant for Canada was that this process picked up substantially in other parts of the industrial world at a time when the greatest part of the Canadian thrust, powered by the Autopact, had already been accomplished.

The second major factor bearing on the decline in Canada's share of world imports is the fact that, compared with the sales of other industrial countries as a whole, Canada is very heavily concentrated in the United States market. (Of all OECD imports from Canada three quarters go to the U.S. and three quarters of these in turn are in the form of manufactured goods.) Overall U.S. imports requirements however, have grown little more rapidly than all OECD imports during the past 10 years - placing Canada in a relatively slow growing market compared to Japan or France; for manufactured goods, U.S. imports have increased somewhat more slowly than the OECD for the 1967-1976 period.

Thirdly, in the U.S., as well as in other major industrial countries, Canada's overall share has generally slipped due in almost all cases to a faster decline in primary than in manufacturing shares. Thus, over time, Canada has tended to move in the direction of greater dependence on manufactures - the major OECD growth area once energy imports are excluded: and, Canada's sales to the OECD of manufactures have also increased more rapidly than Canadian sales of all products.

The major single sectoral influence on the direction of Canadian international trade has, as indicated earlier, been the Canada-U.S. Automotive Products Agreement. This comprises the bulk of the transportation equipment group, which, in terms of the OECD import market has enjoyed above-average growth over the last decade and a half.

Canada also has a substantial stake in other sectors where OECD import growth has been above average; notably machinery and chemicals. Canada's share has risen in the first, and declined in the second over the 1962-1976 period. In two other important areas of Canadian concentration, pulp and paper and wood products, OECD imports have proceeded at rates below the average for all manufactures, and other suppliers have increased their relative positions vis-à-vis Canada.

A closer examination of OECD manufacturing imports indicates that about two-thirds of some 225 sub-groupings rose by value at rates at or above average for their parent sector categories during the 1970's. For Canada, sales in these sectors represented more than two-thirds of all manufacturing imports purchased by the OECD from Canada.

### 6.3 CANADA AND THE GLOBAL IMPORT MARKET

Global imports are estimated by the United Nations to exceed the trillion dollar level, an increase of nearly 7 3/4 times since 1962. The largest increase, in 1974, coincides with the rise in oil prices at the end of 1973. Volume increases since 1970 have been marked but much less dramatic by comparison with current value data. Nevertheless, comparisons in current terms between global trends and the estimated share supplied by Canada are appropriate in that Canada itself is a significant producer as well as importer of oil.

As shown in Table 6.1, imports by the world community from Canada are estimated at just over 4 percent of the total in 1962, and rose gradually to 5 percent and over in the late 1960's and early 1970's. Since that time, Canada's share of world imports moved slowly downwards to 4 percent with a low during the 1975 recession just under the 4 percent mark.

TABLE 6.1

#### CANADA'S SHARE OF GLOBAL IMPORTS

(\$U.S. Billions)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Est. World Imports from Canada <sup>1</sup>	6.3	11.3	14.8	17.3	21.6	26.4	34.7	34.4	40.3
Global Imports <sup>2</sup>	149.0	224.7	284.2	325.8	426.5	585.1	844.9	985.6	1009.1
% Share	4.2	5.0	5.2	5.3	5.1	4.5	4.1	3.8	4.0

<sup>1</sup> OECD imports from Canada, plus exports from Canada to non-OECD areas including a c.i.f. adjustment of 10 percent

<sup>2</sup> Excludes centrally planned economies of Asia.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.  
UN Monthly Bulletin of Statistics



With the great majority of Canada's foreign sales concentrated in markets of the industrialized countries (i.e., the OECD), the greatest emphasis in what follows is placed on Canada's success as a supplier to these areas. For the remaining economies - developing, oil and centrally-planned - data on Canadian participation is generally less complete; but it is nonetheless possible to obtain some guide from proxy statistics of exports to these areas by the various OECD members.

## 6.4 OECD IMPORTS AND CANADIAN PARTICIPATION

### 6.4.1 General Perspectives

Three basic questions can be asked about Canada's position in the import markets of the industrialized countries: How important is OECD trade to Canada? How important is Canada to the OECD? How important is the OECD itself, relative to global trade? And how, moreover, have these relationships changed over time?

TABLE 6.2

#### CANADA, OECD AND WORLD TRADE

(\$U.S. Billions)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Canada's Exports									
to OECD	5.3	9.5	12.7	14.6	18.2	22.9	29.3	28.3	34.1
Total Canadian									
Exports	5.9	10.6	13.8	16.2	20.2	25.2	32.8	32.3	38.4
% Share	89.2	89.8	92.3	90.3	90.2	90.8	89.5	87.5	88.9
OECD Imports									
from Canada	5.6	10.1	13.6	15.6	19.4	23.8	30.9	30.0	35.6
Total OECD									
Imports	95.5	153.8	199.0	229.6	303.2	417.5	591.9	595.6	684.8
% Share	5.9	6.6	6.9	6.8	6.4	5.7	5.2	5.0	5.2
Total OECD									
Imports	95.5	153.8	199.0	229.6	303.2	417.5	591.9	595.6	684.8
Global									
Imports*	149.0	224.7	284.2	325.8	426.5	585.1	844.9	895.6	1009.1
% Share	64.1	68.4	70.0	70.5	71.1	71.4	70.1	66.5	67.9

\* Excludes Centrally Planned Economies of Asia.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.  
UN Monthly Bulletin of Statistics.



As is clear from Table 6.2, Canada's exports are overwhelmingly centered in OECD markets -- about 90 percent for most of the period 1962 through 1976. At the same time, the OECD nations as a group rely on Canada for just over 5 percent of their import requirements, down from about 6 percent in 1962 and nearly 7 percent at the opening in the 1970's. This is also shown in Chart 6.1 which indicates the sourcing pattern for the OECD as a whole. Its most noticeable feature is the impact of the oil embargo and energy price rises between 1973 and 1974. Largely, this occurred at the expense of the EEC, smaller members of the OECD and the non-oil developing countries.

Again, the OECD itself has accounted for an increased share of global imports, up from over 64 percent (1962) to nearly 68 percent (1976), although shares of 70 percent and higher were not uncommon in the earlier part of the 1970's. Thus, between 1962 and 1976, Canada lost some ground in a somewhat growing market on which it was very heavily reliant. Viewed since the close of the 1960's however, the relative importance of the OECD has also diminished, although it has diminished at a rather slower pace than sales by Canada itself to the OECD.

Another perspective on Canada's share performance is illustrated in Table 6.3, which shows the growth in OECD imports and gross domestic production (GDP) together with the relative importance of OECD imports to GDP. From about 9 percent in 1962, OECD imports have approached a doubling in importance to 16 percent of output by 1976. (The exclusion of energy from import data in 1976 would still bring the remaining imports to 13 percent of GDP).

TABLE 6.3

OECD IMPORTS AND GROSS DOMESTIC PRODUCTION

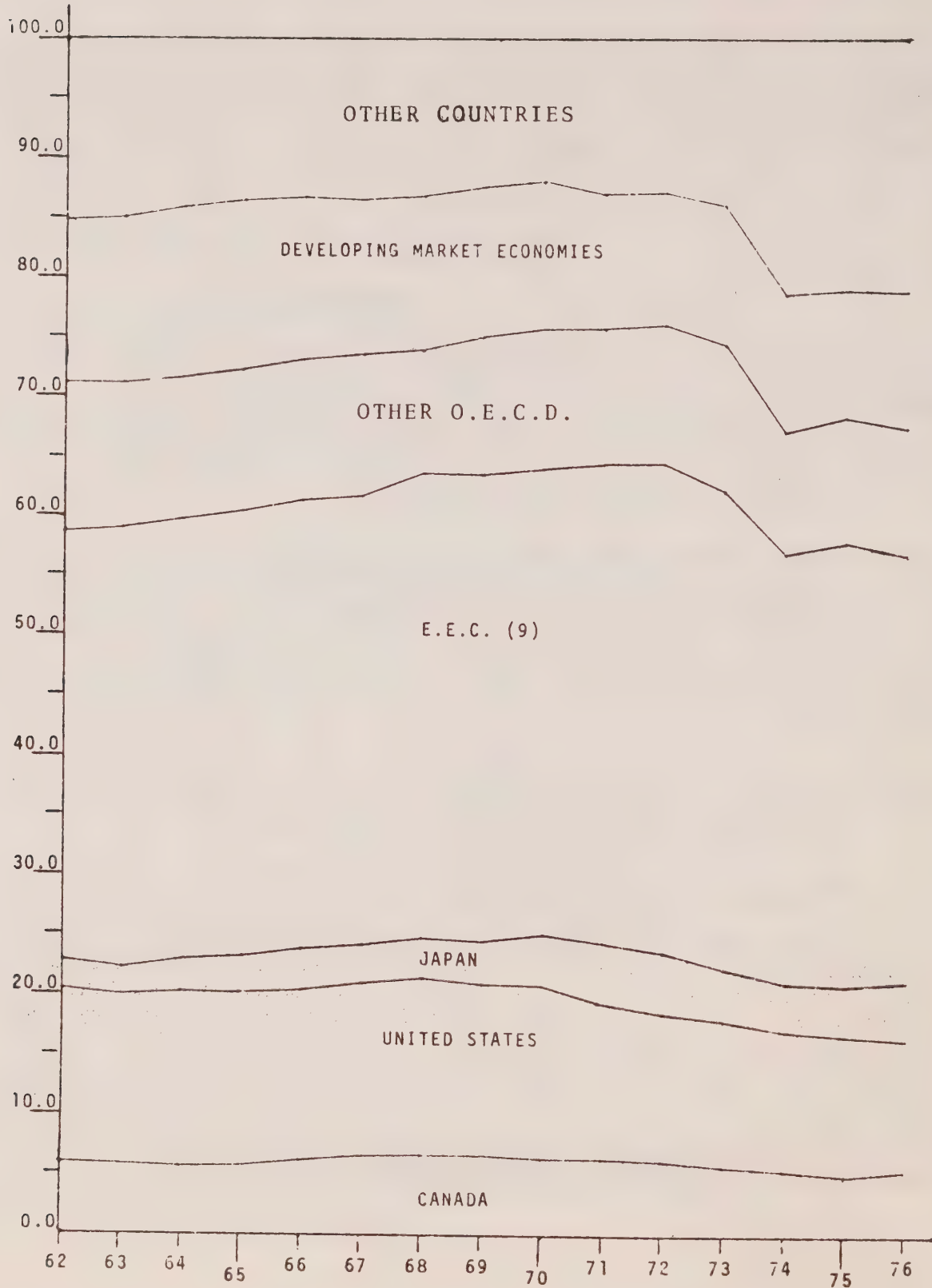
(Index 1970 = 100, Based on \$U.S. Current)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Gross Domestic Product	52	77	92	100	129	156	163	194	210
Total Imports	42	67	87	100	132	182	258	259	298
Imports to GDP (%)	8.8	9.5	10.4	11.0	11.2	12.8	16.3	14.7	15.6

Source: GDP: OECD, National Accounts of OECD Countries, 1976  
Imports: UN, Commodity Trade Statistics, ITC International Trade Data Bank.

CHART 6.1

PERCENTAGE DISTRIBUTION OF OECD IMPORTS BY MAJOR SOURCE OF SUPPLY



Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.

Reflecting the weight of trade in the Canadian economy, Canada's share of OECD imports still remains higher than its share of total OECD population, or indeed of the OECD's total output whether stated in current or constant dollar terms (Table 6.4).

TABLE 6.4

CANADA AND OECD:

RELATIONSHIP OF SELECTED INDICATORS, 1976

(Percentage Shares)

Canadian share of OECD Imports

\$ current	5.2
\$ 1970	6.3

Canadian share of OECD output (GDP)

\$ current	4.4
\$ 1970	4.3

Canadian share of OECD population 3.1

Source: Based on UN Commodity Trade Statistics, ITC International Trade Data Bank.  
OECD, Main Economic Indicators

**6.4.2 Canada and Its Main Geographic Markets**

The predominance of the United States market as an outlet for Canadian sales is well known. From the comparative data shown in Table 6.5 some 75 percent of all imports recorded by OECD countries from Canada are accounted for by the United States. Significantly, this reliance by Canada on the U.S. has increased from 65 percent a decade and a half ago. At the same time, U.S. imports from Canada grew at a pace of 15.3 percent annually which was only a little less than the expansion of the U.S. market itself (15.5 percent). The U.S. expansion in turn was only just higher than the average OECD rate (15.1 percent), but below that of large importers such as Japan (19.0 percent) and France (16.5 percent).

TABLE 6.5  
GEOGRAPHIC DISTRIBUTION OF CANADIAN SUPPLY AND MARKET GROWTH

A. All Commodities

	<u>Distribution</u> <u>Imports from Canada</u>			<u>Growth of Imports</u> <u>(Average Annual % change)</u>					
	<u>1962</u>	<u>1967</u>	<u>1976</u>	<u>1962-67</u>		<u>1967-76</u>		<u>1962-76</u>	
		(%)		<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>	<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>	<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>
United States	64.9	70.4	75.3	14.3	10.5	15.9	18.3	15.3	15.5
Japan	4.5	6.6	7.6	21.1	15.7	17.0	20.9	18.4	19.0
EEC (9)	25.8	19.2	13.8	5.9	8.5 6.6*	10.9	18.0 17.0*	9.1	14.5 13.2*
United Kingdom	17.4	12.5	5.8	5.1	7.1	5.8	13.6	5.5	11.3
West Germany	3.9	2.4	2.6	1.7	7.2	16.3	19.7	10.8	15.1
France	1.3	1.0	1.7	6.8	10.5	21.7	20.0	16.1	16.5
Italy	1.3	1.4	1.6	14.4	9.9	16.5	17.9	15.7	15.0
Other OECD	4.7	3.8	3.3	7.4	11.2	13.3	17.3	11.1	15.1
OECD (Total)	100.0	100.0	100.0	12.4	10.0	15.1	18.1	14.1	15.1

B. Manufactures

	<u>1962</u>	<u>1967</u>	<u>1976</u>	<u>1962-67</u>		<u>1967-76</u>		<u>1962-1976</u>	
		(%)		<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>	<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>	<u>Cda.</u>	<u>Total</u> <u>Country</u> <u>Market</u>
United States	72.5	77.2	81.7	16.6	13.3	15.5	16.4	15.9	15.3
Japan	1.7	3.2	3.3	30.6	14.6	15.1	19.0	20.4	17.4
EEC (9)	22.9	16.0	12.0	7.2	9.4 7.2*	11.1	18.0 15.8*	9.7	14.8 12.7*
United Kingdom	17.2	11.5	5.6	6.3	8.9	6.0	13.3	6.1	11.7
West Germany	2.1	1.4	2.0	5.4	8.2	19.3	20.8	14.1	16.1
France	1.1	0.9	1.0	12.1	8.9	16.5	17.5	14.9	14.3
Italy	1.0	0.9	1.0	12.1	8.9	16.5	17.5	14.9	14.3
Other OECD	2.8	3.5	3.0	20.4	15.3	12.8	16.5	15.4	16.1
OECD (Total)	100.0	100.0	100.0	15.1	11.7	14.7	17.3	14.9	15.2

\*Excluding intra-trade by EEC members.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.



Considering the period since the later 1960's, it is useful to focus on the situation in manufacturing commodities. During this period, Canada's share of U.S. imports decreased from well over a quarter to 22 percent (Table 6.6). There is also increased reliance by Canada on the U.S. This is shown by the shift from 77 to 82 percent of all OECD purchases from Canada which are accounted for by the United States (see again Table 6.5). In terms of growth rates, U.S. imports from Canada developed less quickly (15.5 percent annually) than the total U.S. import market for manufactured goods (16.4 percent annually). The U.S. import market, in turn, grew more slowly than imports of the industrial countries at large (17.3 percent).

A second market on which Canada has increased its reliance has been Japan. Of all OECD country purchases from Canada, Japan accounted for 4.5 percent in 1962, a figure which grew to 6.6 percent by 1967 and continued to rise to 7.6 percent by 1976. Japan's market growth of course was well above average throughout, but Canadian sales to that market were unable to keep abreast. In manufactures, Canada did increase its sales at a faster rate than the market between 1962 and 1967, but was growing at a that time from a low base. Since 1967, Japanese imports of manufactures from Canada rose by 15.1 percent per annum while its total purchases of manufactures grew at a rate of 19.0 percent.

In 1962, Canada supplied 4.7 percent of the imports by those European countries which now comprise the EEC (intra-trade excluded). By 1976, Canada's share of the Community's imports had slipped to 2.8 percent, although the market, exclusive of intra-trade, still represents a very sizeable target of nearly \$174 billion (see Table 6.6). Manufactured products sold by Canada experienced a smaller relative decline, falling from 4.5 to 3.1 percent between 1962 and 1976 in a market of over \$96 billion.

The most noticeable change in Canadian participation has been with respect to the United Kingdom. In order to show Canada's participation in its broadest context, import data for Britain and other major EEC members includes intra-EEC commerce (in contrast to the total EEC data in which it is excluded). Thus, some 7.8 percent of total U.K. imports originated in Canada at the beginning of the period. By 1976, however, Canada accounted for only 3.7 percent of U.K. requirements. U.K. imports still remain at a very substantial \$56 billion in total. For manufactures, Canada's participation differs little from its pattern for all commodities. The downward trend is about as steep, and the shares are only slightly lower.

Canada's share in the West German market eased from 1.8 percent of all imports in 1962 down to 1.1 percent in 1976. A comparison with shares for manufacturing suggests that primary products have lost ground somewhat more quickly.

TABLE 6.6

CANADIAN SHARE OF IMPORTS OF OECD AND SELECTED COUNTRIES

(\$ Millions U.S.)

	1962	1967	1969	1970	1972	1973	1974	1975	1976
<b>All Products</b>									
OECD Total	95,537	153,809	199,010	229,553	303,237	417,543	591,850	595,583	684,783
from Canada	5,619	10,080	13,642	15,594	19,397	23,815	30,922	29,975	35,616
% share	5.9	6.6	6.9	6.8	6.4	5.7	5.2	5.0	5.2
U.S. Total	16,249	26,816	36,042	39,951	55,563	69,477	100,997	96,941	121,793
from Canada	3,646	7,099	10,334	11,092	14,907	17,488	22,285	22,170	26,827
% share	22.4	26.5	28.7	27.8	26.8	25.2	22.1	22.9	22.0
Japan Total	5,637	11,664	15,025	18,883	23,471	38,313	62,094	57,840	64,505
from Canada	225	663	669	929	1,149	2,012	2,666	2,498	2,715
% share	4.5	5.4	4.5	5.0	4.9	5.3	4.3	4.3	4.2
EEC (9) (External)	30,840	42,495	52,124	59,547	73,622	104,004	153,010	151,542	173,890
from Canada	1,452	1,938	2,072	2,901	2,708	3,485	4,704	4,238	4,908
% share	4.7	4.6	4.0	4.9	3.7	3.4	3.1	2.8	2.8
United Kingdom Total	12,577	17,714	19,956	21,724	27,860	38,843	54,149	53,267	55,951
from Canada	978	1,255	1,207	1,593	1,463	1,756	2,216	1,601	2,077
% share	7.8	7.1	6.1	7.3	5.3	4.5	4.1	3.4	3.7
West Germany Total	12,279	17,351	24,926	29,814	39,763	54,496	68,975	74,208	87,783
from Canada	218	237	317	505	614	714	772	714	920
% share	1.8	1.4	1.3	1.7	1.5	1.1	1.1	1.0	1.1
France Total	7,517	12,377	17,213	18,922	26,715	37,055	52,174	53,606	64,016
from Canada	75	104	159	204	225	322	518	463	608
% share	1.0	0.8	0.9	1.1	0.8	0.9	1.0	0.9	1.0
Italy Total	6,056	9,697	12,450	14,940	19,282	27,793	40,682	37,938	42,791
from Canada	73	143	151	214	243	366	589	556	565
% share	1.2	1.5	1.2	1.4	1.3	1.3	1.5	1.5	1.3
<b>Manufactures</b>									
OECD Total	65,703	114,215	152,533	176,422	236,284	323,239	414,557	414,572	478,247
from Canada	3,551	7,184	10,311	11,410	14,507	17,504	20,529	19,617	24,765
% share	5.4	6.3	6.8	6.5	6.1	5.4	5.0	4.7	5.2
U.S. Total	11,243	20,953	29,365	32,832	46,616	57,081	74,359	66,959	82,242
from Canada	2,576	5,549	8,455	8,889	12,146	14,283	16,120	15,760	20,234
% share	22.9	26.5	28.8	27.1	26.1	25.0	21.7	23.5	24.6
Japan Total	2,537	5,011	6,740	8,419	10,650	18,072	23,114	19,484	24,044
from Canada	60	228	291	348	371	612	752	609	810
% share	2.4	4.5	4.3	4.1	3.5	3.4	3.3	3.4	3.4
EEC (9) (External)	18,170	25,753	34,054	39,057	46,406	66,401	82,234	83,179	96,300
from Canada	814	1,152	1,248	1,783	1,629	2,093	2,694	2,460	2,969
% share	4.5	4.5	3.7	4.6	3.5	3.2	3.5	3.0	3.1
United Kingdom Total	8,686	13,314	15,060	16,435	23,538	30,426	38,766	38,461	40,797
from Canada	610	829	908	1,102	992	1,230	1,579	1,216	1,395
% share	7.0	6.2	5.4	6.7	4.6	4.0	4.1	3.2	3.4
West Germany Total	7,755	11,518	17,876	22,066	30,171	41,212	47,964	53,097	62,915
from Canada	76	99	147	232	218	285	379	382	484
% share	1.0	0.9	0.9	1.1	0.7	0.7	0.8	0.7	0.8
France Total	5,099	8,984	14,431	14,752	21,069	29,475	36,708	37,637	45,462
from Canada	39	66	103	128	135	215	375	321	438
% share	0.8	0.7	0.8	0.9	0.6	0.7	1.0	0.9	1.0
Italy Total	4,112	6,283	8,455	10,422	13,242	19,409	24,436	23,099	26,854
from Canada	35	62	79	110	100	123	216	215	245
% share	0.8	1.0	1.0	1.1	0.8	0.6	0.9	0.9	0.9

In both France and Italy, however, Canada has held a more favourable position, although market shares have been very low. In France, Canada has effectively held its position at 1 percent over the 1962-1976 period, and has slightly improved its position with respect to manufactures (from 0.8 to 1.0 percent). Canada's share of Italian imports has grown very slightly both for manufactures and for all commodities in total.

In general, it can be noted that in the U.S., as well as in other major industrial countries, Canada's overall share has generally slipped and in almost all cases there has been a faster decline in primary than in manufacturing shares.

#### **6.4.3 Areas of Canadian Strength in the OECD**

The various broad sectors in which Canada has increased its share of the overall import requirements of the industrialized countries are shown in Table 6.7. Initially it should be noted that in spite of its resource endowment, Canada has not, over the 1962-1976 period, increased its market share in any of the broad primary categories such as agriculture, forestry and fishing, or mining (i.e., minerals, fuels, or non-metallic ores). Nor has Canada's share risen for manufactured products as a group. There has, however, been a number of manufacturing industry groups, amounting to about a third of all Canadian supply, where shares have generally risen since 1962. The largest of these are transportation equipment, (\$7,030 million in 1976), machinery (\$2,444 million) and food (\$1,533 million). The value of other industry group sales is fairly small by comparison.

In order to assess Canada's relative performance in manufactured goods in somewhat greater detail, data for all 20 major industrial groups within manufacturing are presented for a period of years in Table 6.8. In conjunction with this information, the industrial distribution is given for both OECD imports in total and those supplied by Canada. The longer term average annual rate of growth for 20 groups of OECD imports is also shown.

From this it is seen, in a majority of industry groups important to Canada, that Canada has a proportionally greater weight of trade than the OECD. Over 30 percent of all OECD imports from Canada, for example, consists of transportation equipment, while only 14 percent of total OECD imports needs fall in that group. Or again, about 3 1/2 percent of OECD imports take the form of wood products, but wood products comprise nearly 18 percent of OECD demand for all Canadian manufactures. Among the four largest groups from the standpoint of Canadian participation (wood, pulp and paper, primary metals and transportation equipment), transportation equipment has been alone in the OECD in expanding at a faster pace than OECD imports of all manufactures. Between 1962 and 1976, the average yearly growth of manufacturing imports has been 15.2 percent; for transport equipment, the increase has been 19.5 percent. Of the four groups, Canada's share 1962-1976 has risen only in transportation equipment, and within the period as a whole, declined for that group over most of the 1970's.



TABLE 6.7

RIISING CANADIAN SHARES OF OECD IMPORT REQUIREMENTS

	1962			1967			1976		
	Total (\$US Mill.)	Cda.	%	Total (\$US Mill.)	Cda.	%	Total (\$US Mill.)	Cda.	%
Food & Beverages	11,325	281	2.5	15,965	584	3.7	51,783	1,533	3.0
Tobacco	83		0.1	173		0.2	733	3	0.4
Rubber & Plastics	620	8	1.4	1,435	34	2.4	8,591	338	3.9
Furniture (incl. auto seats)	213	1	0.5	550	30	5.4	4,127	225	5.5
Printing & Publish.	483	5	1.0	935	13	1.4	3,313	77	2.3
Fabricated Metals	1,867	31	1.7	3,633	122	3.4	15,627	558	3.5
Machinery	7,541	182	2.4	14,353	669	4.7	56,438	2,444	4.3
Transportation Equipment	5,496	124	2.3	12,840	1,563	12.2	60,550	7,030	11.6
Non-Metallic Mineral Products	1,215	20	1.7	1,987	32	1.6	7,741	195	2.5
Petroleum Prod.	3,593	19	0.5	4,409	15	0.3	27,540	339	1.2
a) Total of above	32,436	671	2.1	56,480	3,062	5.4	236,443	12,742	5.4
b) Total imports	95,537	5,619	5.9	153,809	10,080	6.6	684,783	35,616	5.2
% a) of b)	34.0	11.9		36.7	30.4		34.5	35.8	
c) Total imports									
less energy	88,180	5,311	6.1	141,738	9,528	6.7	559,506	30,768	5.5
% a) of c)	36.8	12.6		39.8	32.1		42.3	41.4	

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sector groups by IT&C.

Two other large OECD import groups with significant Canadian participation have grown at above average rates as well: machinery at 15.5 percent, and chemicals with an increase of 17.2 percent. In the machinery field, Canada increased its share from 2.4 percent in 1962 to 4.3 percent by 1976, while that for chemicals moved to a lower level. Among the smaller areas of Canadian participation, rising Canadian shares are to be found in 5 groups where above-average OECD import growth also occurred: tobacco products (16.8 percent average annual market growth 1962-1976); rubber and plastics (20.7 percent); furniture (23.7 percent); fabricated metal products (16.4 percent) and petroleum and coal products (15.7 percent).



TABLE 6.8

## CANADIAN PARTICIPATION IN OECD IMPORTS OF MANUFACTURES

Sector	Value of Imports 1976 \$US millions	from Cda	% Distribution 1976		Growth of OECD Imports Ave. Ann. % 1962-76	Canadian Share						
			OECD	Cda		1962	1967	1969	1970	1972	1973	1974
			100.0	100.0		5.4	6.3	6.8	6.5	6.1	5.4	5.0
Manufactures Total	478,247	24,765	100.0	100.0	15.2	5.4	6.3	6.8	6.5	6.1	5.4	5.0
Food & Beverages	51,783	1,535	10.8	6.2	11.5	2.5	3.7	3.8	3.8	3.4	3.4	2.6
Tobacco Products	733	3	0.2	..	16.8	0.1	0.2	0.4	0.5	0.4	0.3	0.3
Rubber & Plastics	8,591	337	1.8	1.4	20.7	1.4	2.4	1.5	2.1	1.9	2.6	1.9
Leather Products	8,093	55	1.7	0.2	20.2	1.6	1.0	1.0	1.3	1.1	0.9	0.9
Textile Products	25,449	104	5.3	0.4	10.0	0.5	0.6	0.6	0.7	0.6	0.5	0.6
Knitting Mill Products	6,573	7	1.4	..	20.6	0.2	0.3	0.3	0.4	0.2	0.2	0.2
Clothing	10,011	64	2.1	0.3	21.5	0.7	1.1	1.5	1.4	1.2	1.2	1.0
Wood Products	10,297	2,032	2.2	8.2	12.0	22.4	23.4	23.1	21.3	25.2	22.2	17.9
Furniture	4,127	226	0.9	0.9	23.6	0.5	5.4	9.5	10.1	8.3	6.3	5.9
Pulp & Paper	16,349	4,398	3.4	17.8	12.5	36.7	33.7	32.2	29.7	28.1	25.4	24.7
Printing & Publishing	3,313	77	0.7	0.3	14.8	1.0	1.4	1.6	2.0	2.3	2.1	2.3
Primary Metal Products	42,795	2,368	8.9	9.6	13.1	9.7	8.4	7.0	7.7	6.8	5.5	5.0
Fabricated Metal Products	15,627	554	3.3	2.2	16.4	1.7	3.4	4.5	4.3	3.7	3.5	3.6
Machinery	56,438	2,443	11.8	9.9	15.5	2.4	4.7	4.7	4.4	4.8	4.2	4.0
Transportation Equipment	66,550	7,724	13.9	31.2	19.5	2.3	12.1	16.2	14.7	13.9	12.3	11.8
Electrical Products	36,211	495	7.6	2.0	18.3	2.4	2.8	2.9	3.0	1.8	1.7	1.8
Non Metallic Mineral Prod.	7,741	195	1.6	0.8	14.1	1.7	1.6	2.5	2.9	3.2	3.2	2.5
Petroleum & Coal Products	27,540	339	5.8	1.4	15.7	0.5	0.3	0.6	1.0	2.0	1.9	2.1
Chemicals & Products	48,858	1,537	10.2	6.2	17.2	4.4	4.2	3.6	3.5	3.1	2.8	2.5
Misc. Manufactured Prod.	31,168	272	6.5	1.1	17.5	1.1	1.0	1.1	1.3	1.2	1.0	0.9

.. indicates less than 0.05 percent.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sectoral groups by ITC.

A summary of growth areas and Canadian participation according to commodity sub-groups appears in Table 6.9. Of some 225 sub-groups considered for analysis, above-average import growth by the OECD as a whole occurred in 119. By value these accounted for two-thirds of all manufacturing imports. That is, 119 commodity sub-groups (including four one-commodity industries) expanded during the 1970's at a rate equal to or faster than the group to which they were classified. Their value represented some \$317 billion compared with \$478 billion for all manufacturing imports.

This is not to say that Canada's share rose in all the growth items. When Canada's record over the past 10 years is considered in terms of retaining or establishing a greater share among these items, a comparatively small percentage of total Canadian sales emerges. Of that total Canadian supply, rising Canadian shares in growth items amounted to about \$5.6 billion spread over some 50 sub-groups, or 22 percent of the total Canadian supply of manufactured goods to the OECD.

Overall, however, Canada had a rising share in a total of 88 sub-groups, i.e. in 38 others in addition to the 50 just noted, where OECD growth did not exceed average group rates. Viewed on this basis, Canadian participation stood at over \$9 billion, or 38 percent of total manufacturing imports from Canada. In broad terms then, Canada has fared comparatively well in a number of industries even when measured from the later 1960's when shares tended to be fairly high. Thus, further sales opportunities may be available in areas where faster market expansion is the order of the day.

#### **6.4.4 OECD Imports: Canada's Major Competitors**

Before turning to an examination of Canada's role outside the industrialized countries, it is relevant to establish which countries and areas have represented the major competition for Canada in supplying the OECD import market.

Table 6.10 shows that Canada ranks fourth as a source of total OECD commodity imports, behind the United States, West Germany and France<sup>1</sup>. In manufacturing, however, not only does West Germany emerge as the largest importer ahead of the United States (Table 6.11), but Canada's role as supplier moves to ninth place, after Italy and Belgium/Luxembourg. In spite of this change, Canada's share remains at 5.2 percent of both total commodity imports and manufacturing imports, and reflects the relatively greater role of primary resources in Canadian supply. In 1976 for example, about 70 percent of Canadian exports were of manufactured goods compared with 77 percent for the U.S. and 93 percent for the EEC.

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<sup>1</sup> Rank is based on average dollar values of imports for the years 1974 through 1976 inclusive.



TABLE 6.10

## OECD IMPORTS - ALL COMMODITIES MAJOR SOURCES OF SUPPLY

(\$ Millions U.S.)

	1962	1967	1969	1970	1972	1973	1974	1975	1976
Total Index 1970=100	95,537 42	153,809 67	199,010 87	229,553 100	303,237 132	417,548 182	591,850 258	595,583 259	684,483 298
United States % share	13,827 14.5	22,205 14.4	27,790 14.0	31,743 13.8	36,449 12.0	50,283 12.0	67,885 11.5	69,628 11.7	75,911
West Germany % share	10,287 10.8	17,212 11.2	23,290 11.8	27,823 12.1	37,336 12.3	52,960 12.7	66,935 11.3	66,112 11.1	74,356 10.9
France % share	4,800 5.0	8,286 5.4	11,300 5.7	13,439 5.9	20,112 6.6	27,475 6.6	34,010 5.8	35,903 6.0	39,340 5.7
Canada % share	5,619 5.9	10,080 6.6	13,643 6.9	15,593 6.8	19,397 6.4	23,815 5.7	30,922 5.2	29,975 5.0	35,616 5.2
Netherlands % share	3,829 4.0	6,406 4.2	8,745 4.3	10,326 4.5	14,927 4.9	21,284 5.1	29,061 4.9	30,579 4.1	34,760 5.1
United Kingdom % share	6,615 6.9	9,849 6.4	12,173 6.1	13,581 5.9	16,962 5.6	21,579 5.2	26,451 4.5	27,990 4.7	31,504 4.6
Japan % share	2,196 2.3	5,070 3.3	7,753 3.9	9,809 4.3	15,411 5.1	18,406 4.4	24,216 4.1	23,782 4.0	31,137 4.7
Italy % share	3,429 3.6	6,691 4.4	9,122 4.6	10,317 4.5	14,679 4.8	18,397 4.4	23,015 3.9	25,380 4.3	27,871 4.1
Belgium/Luxembourg % share	3,576 3.7	6,137 4.0	8,840 4.4	10,188 4.4	13,814 4.6	18,934 4.5	23,852 4.0	23,455 3.9	27,474 5.0
EEC of 9 % share	34,376 36.0	57,570 37.4	76,978 38.7	89,629 39.0	123,119 40.6	167,854 40.2	212,449 35.9	219,506 36.9	245,862 35.9
Other Developed Market Economies % share	14,827 15.5	20,666 13.4	26,320 13.2	30,878 13.5	41,176 13.6	58,487 14.0	70,884 12.0	71,949 12.1	80,872 11.8
OPEC % share	8,193 8.6	12,263 8.0	14,854 7.4	16,437 7.2	24,231 8.0	35,485 8.5	97,784 16.5	94,654 15.9	112,941 16.5
Other Developing Market Economies % share	13,274 13.9	19,871 12.9	24,784 12.4	27,997 12.2	33,363 11.0	48,334 11.6	66,454 11.2	63,465 10.7	76,033 11.1
Centrally Planned Economies % share	3,225 3.4	6,084 4.0	6,928 3.5	7,467 3.3	10,092 3.3	14,884 3.6	21,256 3.6	22,624 3.8	26,411 3.9

Note on coverage and country classifications:

1. Data for 1962 exclude New Zealand and Yugoslavia.
2. Other Developed Market Economies - excludes Israel, and includes Turkey together with miscellaneous items unclassified as to country but which at the total level are a very small percentage of OECD imports.
3. OPEC - includes the 13 members of OPEC together with several smaller oil-related economies (e.g. the Netherlands Antilles).
4. Other Developing Market Economies - includes Israel and excludes Turkey.

Source: UN Commodity Trade Statistics, TTC International Trade Data Bank.



TABLE 6.11

## OECD IMPORTS - MANUFACTURED PRODUCTS MAJOR SOURCES OF SUPPLY

(\$ Millions U.S.)

	1962	1967	1969	1970	1972	1973	1974	1975	1976
Total	65,703	114,215	152,533	176,422	236,284	323,239	414,557	414,572	478,247
Index 1970=100	38	65	86	100	134	183	235	235	271
West Germany	9,018	16,223	22,196	26,489	35,808	50,859	63,971	62,997	71,040
% share	13.7	14.2	14.6	15.0	15.2	15.7	15.4	15.2	14.9
United States	9,386	16,311	21,874	24,297	28,636	38,063	50,235	50,970	57,295
% share	14.3	14.3	14.3	13.8	12.1	11.8	12.1	12.3	12.0
France	3,999	6,970	9,352	11,516	17,199	23,719	29,089	31,388	34,631
% share	6.1	6.1	6.1	6.5	7.3	7.3	7.0	7.6	7.2
United Kingdom	5,620	9,178	11,444	12,788	16,023	20,311	24,933	26,222	29,433
% share	8.6	8.0	7.5	7.3	6.8	6.3	6.0	6.3	6.2
Netherlands	3,144	5,356	7,367	8,787	12,562	18,174	24,770	24,955	28,134
% share	4.8	4.7	4.8	5.0	5.3	5.6	6.0	6.0	5.9
Japan	2,049	4,951	7,586	9,651	15,177	18,148	23,847	23,410	30,773
% share	3.1	4.3	5.0	5.5	6.4	5.6	5.8	5.7	6.4
Italy	2,683	5,945	8,314	9,515	13,663	17,171	21,521	23,467	25,963
% share	4.1	5.2	5.5	5.4	5.8	5.3	5.2	5.7	5.4
Belgium-Luxembourg	3,198	5,632	8,226	9,526	13,024	17,903	22,616	22,071	25,914
% share	4.9	4.9	5.4	5.4	5.5	5.5	5.5	5.3	5.4
Canada	3,551	7,184	10,310	11,410	14,507	17,504	20,529	19,617	24,765
% share	5.4	6.3	6.8	6.5	6.1	5.4	5.0	4.7	5.2
EC of 9	29,129	51,841	69,869	81,979	112,865	154,445	194,731	199,807	224,409
% share	44.3	45.4	45.8	46.5	47.8	47.8	47.0	48.2	46.9
Other Developed	11,177	16,993	21,685	25,414	34,401	48,726	58,920	58,725	65,602
Market Economies	17.0	14.9	14.2	14.4	14.6	15.1	14.2	14.2	13.7
CPEC	2,109	2,265	2,492	2,782	3,014	4,798	10,108	7,821	10,416
% share	3.2	2.0	1.6	1.6	1.3	1.5	2.4	1.9	2.2
Other Developing	6,268	10,566	13,962	15,759	20,551	30,856	41,847	39,509	47,863
Market Economies	9.5	9.3	9.2	8.9	8.7	9.6	10.1	9.5	10.0
Centrally Planned	2,034	4,104	4,755	5,130	7,133	10,649	14,340	14,713	17,124
Economies	3.1	3.6	3.1	2.9	3.0	3.3	3.5	3.6	3.6

Note on coverage and country classifications:

1. Data for 1962 exclude New Zealand and Yugoslavia.
2. Other Developed Market Economies - excludes Israel, and includes Turkey together with miscellaneous items unclassified as to country but which at the total manufacturing level are less than 2 percent of OECD imports.
3. OPEC - includes the 13 members of the OPEC together with several smaller oil-related economies (e.g. the Netherlands Antilles).
4. Other Developing Market Economies - includes Israel and excludes Turkey.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.

Canada's relative position as a supplier of manufactured goods has been rather more stable than its sales of all commodities. That is, downward changes over time have tended to be somewhat smaller in manufactured products, moving between 1962 and 1976 from 5.4 to 5.2 percent compared to a change from 5.9 to 5.2 percent for all items (Table 6.12).

TABLE 6.12

SUMMARY OF CANADIAN SHARE OF OECD IMPORTS:

ALL COMMODITIES AND MANUFACTURED PRODUCTS, SELECTED YEARS

(Percentages)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Canadian share									
All Commodities	5.9	6.6	6.9	6.8	6.4	5.7	5.2	5.0	5.2
Canadian share									
Manufactured Products	5.4	6.3	6.8	6.5	6.1	5.4	5.0	4.7	5.2

Source: Tables 6.10 and 6.11

At the level of total trade (see again Table 6.10), Canada's share among industrial suppliers has been affected by the emergence of Japan. Up until 1974, the present members of the EEC had also been increasing their relative position with the notable exception of the U.K. However, from 1974, the action of OPEC shifted the bulk of relative growth away from the industrialized countries at large. The share of OPEC all but doubled to 17 percent of OECD imports between 1973 and 1974. In the light of this change, the relative position of the United States continued to show a decline that had in fact already been established. The share of U.S. supply stood at 15 percent of OECD imports in 1962, fell to 12 percent by 1973 and afterwards eased somewhat below 12 percent. A similar pattern holds for the group of developed countries outside North America, Japan and the EEC (9), and for the developing countries other than OPEC. The position of the centrally planned economies has altered little, hovering around 4 percent over most of the period.

For manufactured goods, (Table 6.11) the role of the oil producing countries is a very limited one (about 2 to 3 percent of OECD imports of manufactures over the entire 1962-1976 period). Consequently, with refining capacity spread variously around the industrial world, distortions due to energy price rises are not substantial compared to total trade data which include primary products. Further, the percentage of refined petroleum products imported by OECD members is not itself large - some 5 to 6 percent of all manufacturing imports.

The magnitude of relative changes among major OECD suppliers in the area of manufactured goods has not in fact been very large over time. Japan did double its share and more. But in terms of weight, it accounted for only about a 3 percentage point increase advancing from 3.1 to 6.4 percent over the 1962-1976 period. The EEC (9) also increased its share, from 44 to 47 percent; but, interestingly enough, showed no obvious relative gain as a supplier due to the expansion of its membership from 6 countries in 1973. The share of OECD manufacturing imports supplied by the 9 countries in 1972 was 47.8 percent, the same figure recorded for 1973, and 47.0 percent in 1974.

The importance of the non-oil developing countries and of the centrally planned economies increased marginally over the 1962-1976 period, while the main competitive losses were absorbed by the United States (over 14 percent in 1962 to 12 percent in 1976), by Canada (5.4 and 5.2 percent), and by developed countries apart from North America, Japan and the European Economic Community (17 percent and 14 percent).

## 6.5 MARKETS OUTSIDE THE INDUSTRIALIZED COUNTRIES

### 6.5.1 Overview

Markets other than the OECD are estimated to account for approximately one third of global imports, or nearly a third of a trillion dollars. Based on current values, the share of the non-industrialized, oil, and centrally-planned economies together with a grouping of other non-OECD countries, has in all declined somewhat from about 36 percent of world imports in 1962 to 32 percent in 1976 (Table 6.13).

TABLE 6.13

#### NON-OECD COUNTRIES AND GLOBAL IMPORTS\*

(\$ U.S. Billions)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Non-OECD Imports	53.5	70.9	85.1	96.2	123.3	167.6	253.0	300.0	324.3
Global Imports*	149.0	224.7	284.1	325.8	426.5	585.1	844.9	895.6	1009.1
% Share	35.9	31.6	30.0	29.5	28.9	28.6	29.9	33.5	32.1
Canadian <sup>1</sup> share of Non-OECD imports	1.3	1.7	1.4	1.8	1.8	1.6	1.5	1.5	1.4

\* Excludes Centrally Planned Economies of Asia.

<sup>1</sup> Based on export data.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.  
UN Monthly Bulletin of Statistics





# B. MANUFACTURES

(\$ Millions U.S.)

	1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
<u>Canada</u>	342	572	691	942	967	1,075	1,200	1,833	2,235	2,506
% of OECD exports	1.6	1.8	1.8	2.2	1.9	1.9	1.5	1.5	1.5	1.6
<u>United States</u>	5,373	7,472	8,739	10,030	10,535	11,195	15,248	24,178	29,769	32,552
% of OECD exports	25.3	24.2	22.7	22.9	20.9	19.9	19.5	20.2	20.1	20.6
<u>Japan</u>	2,368	4,936	7,199	8,323	11,249	11,980	16,888	27,647	31,068	34,007
% of OECD exports	11.2	16.0	18.7	29.0	22.3	21.3	21.6	23.1	20.9	21.5
<u>EEC (9) (including intra-trade)</u>	9,669	13,775	16,782	18,694	21,438	24,532	33,431	50,073	65,629	67,941
% of OECD exports	45.5	44.5	43.5	42.7	42.5	43.5	42.8	41.8	44.2	42.9
<u>Other OECD Countries</u>	3,476	4,172	5,156	5,789	6,299	7,754	11,266	16,146	19,701	21,256
% of OECD exports	16.4	13.5	13.3	13.2	12.5	13.8	14.4	13.5	13.3	13.4
<u>OECD</u>	20,276	30,927	38,567	43,778	50,488	56,356	78,033	119,887	148,402	158,262
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, IT&C International Trade Data Bank.

Since the trough year of 1973, when a low of 29 percent in the longer term downward trend was reached, the non-OECD share of global imports has generally increased. At the same time, Canada's sales continued to be a small proportion of their total offshore requirements. Canadian sales to these nations have in fact tended to decline since the middle 1960's. By 1970 the Canadian share stood at 1.8 percent, and subsequently moved downwards to 1.4 percent in 1976.

Based on OECD exports to the developing, the oil and the centrally planned economies together (Table 6.14), the Canadian share has also tended to decline slightly, from 2.5 percent in 1962 to 2.3 percent by 1976. High points were in the order of 4 percent in the mid-1960's, largely reflecting agricultural sales. In manufactured goods Canada's 1976 share was unchanged from its 1.6 percent level of 1962 although in the intervening years there was some modest fluctuation. For the recent period, there is a downward movement in Canada's relative position between 1970 and 1973. During these years, the main advances were registered by Japan and by other OECD countries outside North America, Japan and the EEC.

As the information in Table 6.15 suggests, 1977 did not bring a reversal in this trend although Canada's share in the exports to the oil producing countries during 1977 did narrowly improve. Relative to all OECD exports to the oil economies Canadian sales increased by about 25 percent, while OECD sales rose a little less than 23 percent.

TABLE 6.15

DIRECTION OF CANADIAN AND OECD EXPORT EFFORT - 1977

(% change from 1976)

Exports to:	<u>Canada</u>	<u>OECD</u>
Developing Countries (ex oil)	3.4	15.5
Oil Economies	24.5	22.7
Centrally Planned Economies	<u>-9.1</u>	<u>1.5</u>
Total	5.4	15.2

Source: Based on OECD Series A, Exports by Country

Increased Canadian sales were primarily the result of gains in Venezuela and Algeria. Modest gains in the developing area reflect some improvement in sales to Asian countries, and generally lower sales in Latin America and Africa. A decline in exports to the centrally planned economies is centered in grain sales to the U.S.S.R. Sales to China in the meantime rose quite substantially, but not sufficiently to provide an offset. For the major non-OECD areas as a whole, total Canadian exports rose by over 5 percent in 1977 while those of the OECD expanded by more than 15 percent.

Based on the generally increased importance of trade outside the OECD since the early 1970's and Canada's essentially marginal participation, there appears ample scope for sales expansion which was only partly realized in 1977.

#### **6.5.2 Developing Countries (Excluding Oil Economies)**

Export data in Table 6.16 show that Canadian participation has tended to rise in the developing countries other than the oil economies. Total Canadian sales increased from about \$320 million in 1962 to \$2,140 million by 1976, or a share of all OECD sales that is now higher by half a percentage point than the 2 percent figure of 1962. The largest relative gain, however was achieved by Japan whose share moved from 12 percent to nearly 24 percent. The two largest suppliers, the EEC and the United States, saw their dollar sales rise substantially but their shares decline.

Other smaller members of the OECD experienced a minor gain, increasing their collective share from 9 to 11 percent of total OECD exports over the 1962-1976 period.

In the area of manufactures, very similar patterns are in evidence (Table 6.17), except that over the 1962-1976 period as a whole the Canadian share held stable. Canada's rising share at the overall level obviously reflects our performance in primary products, notably wheat sales.

#### **6.5.3 Oil Economies**

Canada's share of OECD exports to the oil economies declined from 1962 to 1976 (Table 6.18). More recent export data suggest a small relative improvement in 1977 on the part of Canadian suppliers. Prior to 1977, patterns of supply among the main OECD-members were broadly similar to those of sales to the other developing countries; that is, EEC and the U.S. predominated but experienced declining shares, while Japan in particular showed an increase. Other OECD countries as a group improved their relative position in the market.

Some different patterns emerge with respect to manufactures: Canada increased its share from 1.4 percent in 1962 to 1.6 percent in 1976; the EEC and U.S. shares declined, but much less so than for all commodities; Japan again expanded strongly, but the share of the remaining countries of the OECD underwent a drop of almost 5 percentage points to a tenth of total OECD sales (Table 6.19).

TABLE 6.16

OECD EXPORTS TO DEVELOPING COUNTRIES (EXCLUDING OIL ECONOMIES)

		ALL COMMODITIES									
		(\$ Millions U.S.)									
		1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
Canada		320	609	675	975	975	1,003	1,257	2,028	2,032	2,140
% of OECD exports		2.0	2.6	2.3	3.0	2.7	2.6	2.3	2.5	2.4	2.5
United States		5,547	7,763	8,775	10,214	10,189	11,068	16,187	24,555	26,629	25,863
% of OECD exports		35.4	33.6	30.9	31.6	28.6	28.2	29.9	30.7	31.1	29.9
Japan		1,847	3,897	5,760	6,518	8,032	8,790	12,467	18,269	18,319	20,313
% of OECD exports		11.8	16.9	20.3	20.2	22.5	22.4	23.0	22.8	21.4	23.5
EEC (9) (including intra-trade)		6,564	8,393	10,093	11,256	12,720	14,048	17,955	26,068	29,396	28,849
% of OECD exports		41.9	36.4	35.6	34.8	35.6	35.8	33.2	32.6	34.4	33.4
Other OECD Countries		1,399	2,416	3,089	3,355	3,772	4,370	6,265	9,096	9,157	9,218
% of OECD exports		8.9	10.5	10.9	10.4	10.9	11.1	11.6	11.4	10.7	10.7
OECD		15,677	23,078	28,372	32,318	35,688	39,279	54,131	80,016	85,533	86,383
% of total exports		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.



TABLE 6.17

## OECD EXPORTS TO DEVELOPING COUNTRIES (EXCLUDING OIL ECONOMIES)

## MANUFACTURES

(\$ Millions U.S.)

	1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
<u>Canada</u>	272	455	553	721	740	783	851	1,296	1,433	1,511
% of OECD exports	2.0	2.2	2.2	2.5	2.3	2.2	1.8	1.9	1.9	2.0
<u>United States</u>	4,352	6,035	6,945	8,020	8,055	8,596	11,651	18,168	19,491	19,954
% of OECD exports	31.3	29.6	27.3	27.8	25.1	24.3	24.6	26.0	26.1	25.9
<u>Japan</u>	1,829	3,852	5,550	6,287	7,805	8,656	12,236	18,287	18,065	20,017
% of OECD exports	13.1	18.9	21.8	21.8	24.3	24.5	25.8	26.2	24.2	26.0
<u>EEC (9) (including intra-trade)</u>	6,132	7,982	9,596	10,776	12,259	13,411	17,034	24,580	27,568	27,462
% of OECD exports	44.1	39.1	37.7	37.4	38.2	38.0	35.9	35.2	37.0	35.7
<u>Other OECD Countries</u>	1,324	2,090	2,785	2,994	3,254	3,869	5,668	7,502	7,982	8,058
% of OECD exports	9.5	10.2	11.0	10.4	10.1	11.0	11.9	10.7	10.7	10.5
<u>OECD</u>	13,909	20,414	25,429	28,798	32,113	35,315	47,440	69,833	74,539	77,002
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.

TABLE 6.18

## OECD EXPORTS TO OIL ECONOMIES

## ALL COMMODITIES

(\$ Millions U.S.)

	1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
<u>Canada</u>	77	122	137	199	254	281	290	599	826	965
% of OECD exports	1.9	2.2	1.9	2.4	2.6	2.3	1.7	2.0	1.7	1.7
<u>United States</u>	1,124	1,472	1,994	2,156	2,487	2,904	3,787	6,888	11,022	13,030
% of OECD exports	28.2	26.9	27.4	26.4	25.3	23.9	22.6	23.4	22.9	23.4
<u>Japan</u>	327	564	898	1,027	1,427	1,922	2,786	5,545	8,462	9,412
% of OECD exports	8.2	10.3	12.3	12.6	14.5	15.8	16.6	18.9	17.6	16.9
<u>EEC (9) (including intra-trade)</u>	2,202	2,876	3,700	4,077	4,792	5,919	8,233	13,615	23,210	26,562
% of OECD exports	55.3	52.6	50.8	50.0	48.8	48.7	49.1	46.3	48.3	47.8
<u>Other OECD Countries</u>	252	434	558	697	864	1,134	1,682	2,761	4,573	5,655
% of OECD exports	6.3	7.9	7.6	8.5	8.8	9.3	10.0	9.4	9.5	10.2
<u>OECD</u>	3,982	5,468	7,287	8,156	9,824	12,160	16,778	29,408	48,093	55,624
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank

TABLE 6.19

OECD EXPORTS TO OIL ECONOMIESMANUFACTURES

(\$ Millions U.S.)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Canada</u>	56	104	126	177	181	231	231	388	657	848
% of OECD exports	1.4	2.0	1.9	2.4	2.0	2.1	1.5	1.5	1.5	1.6
<u>United States</u>	971	1,306	1,601	1,744	1,974	2,292	2,858	5,040	8,883	11,148
% of OECD exports	24.4	25.6	24.0	23.3	22.0	20.4	18.5	19.0	19.9	21.3
<u>Japan</u>	327	562	893	1,002	1,401	1,895	2,724	5,487	8,403	9,347
% of OECD exports	8.2	11.0	13.3	13.4	15.6	16.9	17.7	20.7	18.8	17.9
<u>EEC (9) (including intra-trade)</u>	2,052	2,751	3,543	3,940	4,660	5,741	8,015	13,112	22,531	25,686
% of OECD exports	51.5	53.9	53.0	52.5	52.0	51.2	52.0	49.4	50.5	49.1
<u>Other OECD Countries</u>	576	383	525	636	753	1,049	1,592	2,499	4,107	5,235
% of OECD exports	14.5	7.5	7.8	8.5	8.4	9.4	10.3	9.4	9.2	10.0
<u>OECD</u>	3,982	5,106	6,688	7,499	8,969	11,208	15,420	26,526	44,581	52,264
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank

#### **6.5.4 Centrally Planned Economies**

As depicted in Table 6.20, the EEC is the dominant external supplier to the centrally planned economies at 45 percent of total sales, but their share has dropped 6 percentage points from the beginning of the period (1962). Japan has expanded its exports substantially with the centrally planned area (both in Europe and Asia), and now has nearly 14 percent of the market in contrast with 6.4 percent in 1962. The U.S. similarly has shown very substantial expansion as a supplier, largely the result of re-opening trade with China. The American share has risen from 4 percent to 11 percent between 1962 and 1976. Canada appears to have undergone a substantial decline as a supplier in spite of grain sales in recent years which have generally been of a sizeable order. Other OECD members, largely in Europe, have declined in importance but still make up 27 percent of OECD exports to the centrally planned economies.

Canadian manufacturing sales (Table 6.21) enjoy a stable but much smaller proportion by comparison with the all-commodity total. The EEC position strengthens rather than declines and U.S. market shares still increase, though (like Canada), at much lower levels than for all commodities. Japan shows little change from its rising pattern in total trade (virtually all Japanese exports are manufactures). For the other members of the OECD group, manufactures have declined significantly by comparison with their total sales.



TABLE 6.20

OECD EXPORTS TO CENTRALLY PLANNED ECONOMIESALL COMMODITIES

(\$ Millions U.S.)

	1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
<u>Canada</u>	183	252	142	273	393	622	683	657	986	995
% of OECD exports	5.5	4.0	2.0	3.2	3.7	5.2	3.7	2.5	2.9	2.9
<u>United States</u>	125	195	249	354	894	883	2,491	2,420	3,092	3,638
% of OECD exports	3.7	3.1	3.5	4.2	8.3	7.4	13.5	9.1	9.2	10.7
<u>Japan</u>	213	525	765	1,045	2,070	1,442	1,957	3,938	4,677	4,728
% of OECD exports	6.4	8.4	10.7	12.4	19.3	12.1	10.6	14.7	14.0	13.9
<u>EEC (9) (including intra-trade)</u>	1,707	3,200	3,842	4,229	4,782	5,807	8,872	12,912	16,100	15,453
% of OECD exports	51.2	51.1	53.7	50.2	44.6	48.6	47.9	48.3	48.0	45.4
<u>Other OECD Countries</u>	1,109	2,092	2,155	2,524	2,574	3,198	4,513	6,785	8,660	9,219
% of OECD exports	33.2	33.4	30.1	30.0	24.0	26.8	24.4	25.4	25.8	27.1
<u>OECD</u>	3,337	6,264	7,153	8,425	10,713	11,952	18,516	26,712	33,515	34,033
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.

TABLE 6.21

## OECD EXPORTS TO CENTRALLY PLANNED ECONOMIES

## MANUFACTURES

(\$ Millions U.S.)

	1962	1967	1969	1970	1971	1972	1973	1974	1975	1976
<u>Canada</u>	14	13	12	44	46	61	118	149	145	147
% of OECD exports	0.4	0.2	0.2	0.6	0.5	0.6	0.8	0.6	0.5	0.5
<u>United States</u>	50	131	193	266	506	307	739	970	1,395	1,450
% of OECD exports	1.5	1.4	3.0	3.6	5.4	3.1	4.9	4.1	4.8	5.0
<u>Japan</u>	212	522	756	1,034	2,043	1,429	1,928	3,873	4,600	4,643
% of OECD exports	6.4	9.7	11.7	13.8	21.7	14.3	12.7	16.5	15.7	16.0
<u>EEC (9) (including intra-trade)</u>	1,485	3,042	3,643	3,978	4,519	5,380	8,382	12,381	15,530	14,793
% of OECD exports	44.5	56.3	56.5	53.2	48.0	53.7	55.2	52.6	53.0	51.0
<u>Other OECD Countries</u>	1,576	1,699	1,846	2,159	2,292	2,836	4,006	6,145	7,612	7,963
% of OECD exports	47.2	31.4	28.6	28.9	24.4	28.3	26.4	26.1	26.0	27.5
<u>OECD</u>	3,337	5,407	6,450	7,481	9,406	10,013	15,173	23,518	29,282	28,996
% of total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank

CHAPTER VII

THE UNITED STATES MARKET





## CHAPTER VII

### THE UNITED STATES MARKET

#### 7.1 INTRODUCTION

The United States accounts for only 10 percent of global trade, nevertheless it is still the world's largest international trading nation in absolute terms. Beyond its general importance in world trade, the United States is of special importance to Canada, with some 70 percent of Canadian exports going to the U.S. and about one-fifth of American exports coming to Canada. Because of this dominant role, this chapter deals specifically with U.S. trade and Canada's participation in it. The chapter begins with an overview of the U.S. trade performance between 1962 and 1976 in relation to the industrialized world and in relation to the U.S. national economy<sup>1</sup>. This is followed by an examination of Canada's share of U.S. imports by major industrial sector with special attention given the areas of strength in the key manufacturing sector. Lastly, a look is taken at Canada's competition both from other exporters to the U.S. and from U.S. domestic producers.

#### 7.2 SUMMARY

Even though the U.S. share of trade among industrialized countries has remained relatively constant over the last decade and a half, trade has become of increasing importance to the U.S. economy. This phenomenon is generalized throughout U.S. industry and has manifested itself in a considerably increased export orientation across almost all sectors of manufacturing, and a somewhat smaller increase in import penetration in a significant number of U.S. domestic markets.

Canada's share of U.S. imports rose in the latter half of the 1960's, primarily as a result of the Autopact but also in some part as a result of increased demand from U.S. involvement in Vietnam. Canada's share has since fallen off and by 1976 had returned to levels approaching those of the early 1960's.

With regard to major industrial sectors, our share of agricultural imports remained fairly steady over the 1962-1976 period, that of mining imports declined sharply, and our shares in other sectors, the most notable of which is manufacturing, rose in the late 1960's, declined in the early 1970's and then started rising again in the mid-1970's. By 1976 they were up slightly over the shares of the early 1960's.

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<sup>1</sup> Data in Chapter VII are expressed in \$U.S. to permit comparability with international trade data.

Within manufacturing, Canada's share of U.S. imports has risen most sharply in transportation equipment, fabricated metal products and rubber and plastic products. Smaller sectors such as furniture<sup>1</sup>, non-metallic minerals, printing and publishing and tobacco products have also doubled or more since the early 1960s. In all, Canada improved its position in 14 of 20 import categories of manufactured goods, or nearly 80 percent of such Canadian sales to the U.S. These 14 sectors comprise about 60 percent of all U.S. manufacturing imports.

Canada's major competition as far as U.S. manufacturing imports are concerned - indeed, everyone's major competition - has been Japan. Japan's share of U.S. manufacturing imports rose from 11.3 percent in 1962 to 18.9 percent in 1976, while the shares of all other major exporters except Canada declined over that period. Such declines have not been continuous, of course, with some countries, such as West Germany, experiencing an increase in their share in the late 1960's and early 1970's only to see it fall off again by the mid-1970's.

As far as the U.S. domestic market for manufactured goods is concerned, although data are available only from 1972 to 1976, significant gains in areas important to Canada were made in this period in transportation equipment and paper and allied products, while our importance in wood products showed virtually no change. Where Canada is of lesser importance as a supplier, major gains were made in rubber and plastics, leather, printing and publishing and chemicals. Some improvement in our share of the U.S. domestic market also occurred in furniture, primary metals, fabricated metals, and machinery. Overall, there has been an increase in import penetration in U.S. manufacturing with Canada's penetration increasing marginally more than that of other foreign suppliers taken together. This stands in contrast to Canada's somewhat declining share over the 1972 - 76 period in terms of U.S. imports as such.

### **7.3 OVERVIEW OF U.S. TRADE PERFORMANCE**

#### **7.3.1 Importance of U.S. in World Trade**

The United States, although it is the largest single world importer, still accounts for a comparatively small percentage of the trade by the industrial countries. As shown in Table 7.1, U.S. imports as a proportion of OECD imports have generally accounted for about one sixth of the OECD total since 1962. For manufactures - by far the largest component of all commodity trade - the pattern has been similar, except that in the last 8 to 10 years there has been a tendency for U.S. imports to have a somewhat reduced weight in the OECD (e.g. a high of 20.4 percent in 1968, compared to 17.2 percent in 1976).

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<sup>1</sup> U.S. data defines auto seats as part of the furniture industry. See also note p. 157.

TABLE 7.1

U.S. SHARE OF OECD IMPORTS:ALL COMMODITIES AND MANUFACTURING PRODUCTS

(\$U.S. Millions)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>All Commodities</u>									
OECD	95,537	153,809	199,010	229,553	303,237	417,548	591,850	595,583	684,783
U.S.	16,249	26,816	36,043	39,952	55,563	69,477	100,997	96,942	121,793
% by U.S.	17.0	17.4	18.1	17.4	18.3	16.6	17.1	16.3	17.8
<u>Manufactured Goods</u>									
OECD	65,703	114,215	152,533	176,422	236,284	323,239	414,557	414,552	478,247
U.S.	11,243	20,954	29,365	32,832	46,616	57,081	74,359	66,960	82,242
% by U.S.	17.1	18.3	19.3	18.6	19.7	17.7	17.9	16.2	17.2

148

SOURCE: UN Commodity Trade Statistics, ITC International Trade Data Bank

One aspect of recent U.S. performance is that its share of OECD manufacturing imports was more affected by the 1974-75 recession than was the American share in all commodities. The U.S. accounted for nearly 18 percent of OECD manufacturing imports in 1974. This share fell to 16.2 percent in 1975 and recovered only partially to 17.2 percent by 1976. For all commodities there was also a relative decline for the U.S. in 1975, but it was not as pronounced as in manufacturing and by 1976 the U.S. share of total OECD imports had in fact surpassed that of 1974.

### 7.3.2 Importance of Trade to U.S. Economy

Even though foreign trade is still not as important to the U.S. economy as it is to the other major industrial countries in the OECD (see Tables 1.4 and 1.5 in Chapter I), it has nevertheless grown increasingly more important over the last 15 years. From 1962 to 1976, U.S. Gross Domestic Product (GDP) rose 207 percent, while total imports rose 644 percent, more than three times as much over the same period (See Table 7.2). In manufacturing the relative increase was even larger with imports growing almost four times as fast as manufacturing GDP.

In 1962, total imports accounted for less than 3 percent of the U.S. domestic production; by 1976 this had more than doubled to 7.2 percent. For manufacturing, there was an even sharper increase with imports rising from just under 8 percent of manufacturing GDP to over 21 percent by 1976. Since 1974, there has been a noticeable levelling out in the relative importance of imports, a development shared with other industrial countries at the time of the international recession of 1974-75.

The increase in trade orientation in various Canadian manufacturing sectors was discussed in Chapter IV. To provide a similar picture for the U.S., the data from U.S. national sources were matched for a limited number of years with the standard 20 industry group presentation used for Canadian manufacturing groups<sup>1</sup>. The results show that increased trade involvement has in fact occurred on a quite widespread basis within U.S. manufacturing.

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<sup>1</sup> While differences in national data sources and concordance procedures yield differences in import levels compared with UN figures on a similar grouping, the data nevertheless offer a useful basis for examining the trade orientation of U.S. manufacturing groups.



TABLE 7.2

U.S. GROSS DOMESTIC PRODUCT, IMPORTS AND CONTRIBUTION OF IMPORTS TO GDP:TOTAL AND MANUFACTURING

(Index 1970 = 100, Based on \$U.S. Current)

	<u>1962</u>	<u>1967</u>	<u>1969</u>	<u>1970</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Gross Domestic Product	57	81	95	100	119	133	143	156	175
Total Imports	41	67	90	100	139	173	253	243	305
Imports to GDP (%)	2.9	3.4	3.9	4.1	4.8	5.3	7.2	6.4	7.2
GDP in Manufacturing	63	88	96	100	115	129	134	139	161
Total Manufacturing Imports	36	65	89	100	141	172	223	202	250
Mfg. Imports to Mfg. GDP (%)	7.7	9.9	12.1	13.6	17.2	18.2	22.6	19.8	21.1

- 150 -

SOURCE: GDP: UN Yearbook of National Accounts Statistics, 1976 and unpublished revisions.

Imports: UN Commodity Trade Statistics Series D, ITC International Trade Data Bank.

The data for 1972 and 1976 show a basically stable ratio of domestic self-sufficiency in the individual industry groups. In other words, shipments as a proportion of apparent domestic consumption tend to cluster about the 100 percent mark (see Table 7.3). At the same time, however, export orientation (the ratio of exports to shipments) rose for every major group except petroleum and coal products. Although import penetration (the ratio of imports to the apparent domestic market) has also increased for a majority of the groups, for manufacturing as a whole it did not increase as much as export orientation. Specifically, import penetration rose from 5.9 percent in 1972 to 6.5 percent in 1976 compared to an increase in export orientation from 5.1 percent in 1972 to 7.4 percent in 1976. Those groups that displayed a decline in import penetration include food and beverages, textiles, knitting mill products, wood, publishing and non-metallic mineral products. In all these cases though, domestic self-sufficiency was increased, indicating offsetting strength on the export side.

#### **7.4 CANADA'S PARTICIPATION IN U.S. MARKETS**

##### **7.4.1 Canada's Share of U.S. Imports**

Over the period 1962 to 1976, U.S. imports from Canada grew at about the same pace as total U.S. imports (Table 7.4) but, after rising sharply in the late 1960's as a result of the Autopact, Canada's share of U.S. imports steadily declined from 28.8 percent in 1969 to 22.0 percent in 1976.

Canada's share of all U.S. imports enjoyed a rise during the recession of 1974-75. Dollar values of imports from Canada fell slightly (\$22.3 to \$22.2 billion between 1974 and 1975) but intake from all foreign sources dropped much more - from \$101.0 billion to \$96.9 billion. In the first full year of recovery, 1976, Canada's share fell as energy exports were curtailed, and U.S. imports from overseas sources jumped by over 25 percent to \$121.8 billion.

Excluding energy, Canada's total share over the 1962-1976 period has actually risen (22.2 to 24.3 percent), and since 1969 the decline in total share has been more moderate. If energy is excluded, total mining sales show a very substantial decline in market share from a high of 49 percent in 1970 to 17 percent by 1976.

Since 1969, Canada's share of U.S. imports of manufactured goods eased from 28.8 to 24.6 percent in 1976 (See Table 7.5), a reflection of the maturing of the Autopact which was well underway by the time the process of greater two-way trade began to expand strongly in other industries. Canada's share of manufactures did, however, show a steady rise between 1974 and 1976.

TABLE 7.3

## TRADE ORIENTATION IN U.S. MANUFACTURING SECTORS, 1972 AND 1976

(Percentages Based on \$U.S. Millions)

	Shipments/ U.S. Domestic Consumption		Exports/ Shipments		Imports/ U.S. Domestic Consumption	
	1972	1976	1972	1976	1972	1976
Food and Beverages	98.9	99.9	2.7	3.4	3.7	3.5
Tobacco Products	103.7	105.8	4.0	6.1	0.5	0.6
Rubber and Plastic Products	98.2	98.5	2.9	4.3	4.6	5.7
Leather Products	86.1	82.8	1.7	3.4	15.4	20.1
Textiles	97.8	100.8	2.9	5.0	5.0	4.3
Knitting Mill Products	98.6	100.2	0.3	0.8	1.7	0.6
Clothing	93.2	89.5	0.9	1.7	7.7	12.0
Wood Products	94.1	96.3	2.6	4.5	8.3	8.1
Furniture and Fixtures	98.1	98.0	0.5	1.4	2.5	3.4
Paper and Allied Products	98.0	98.4	3.8	5.1	5.8	6.6
Printing and Publishing	100.4	100.6	1.2	1.4	0.8	0.8
Primary Metals	93.8	94.3	2.7	3.4	8.8	8.9
Metal Fabricated Products	100.1	101.3	2.4	4.3	2.3	3.1
Machinery	109.8	117.6	14.2	20.9	5.8	7.0
Transportation Equipment	98.5	102.3	8.9	12.5	10.3	10.5
Electrical and Electronics	98.9	100.1	6.2	11.0	7.3	11.0
Non-Metallic Mineral Products	98.7	99.8	2.3	3.4	3.6	3.6
Petroleum and Coal Products	94.7	93.5	1.9	1.6	7.1	8.0
Chemicals and Chemical Products	104.8	106.4	7.5	9.8	3.1	4.0
Miscellaneous Manufactures	99.1	100.5	8.7	12.4	9.5	11.9
TOTAL MANUFACTURES	99.2	100.9	5.1	7.4	5.9	6.5

SOURCE: Statistics Canada, External Trade Division, Exports by Stage of Fabrication (Fabricated Materials & End Products).

U.S. Department of Commerce, BUREAU OF THE CENSUS, Shipments: U.S. Annual Survey of Manufactures, Industry Profiles 1958-65; 1971, 1973, 1975, 1976-(AS) Series.

Exports and Imports: U.S. Commodity Exports and Imports as Related to Output, ES2 Series 7 to 14. For the years 1972 through 1976 inclusive, data was available on unpublished printouts EA675 and IA275.

TABLE 7.4

U.S. IMPORTS: VALUE, GROWTH AND CANADIAN SHARE

BY MAJOR SECTOR FOR SELECTED YEARS 1962 - 1976

(\$U.S. Millions)

	1962	1967	1969	1970	1972	1973	1974	1975	1976
Total Imports	16,249	26,816	36,043	39,952	55,563	69,477	100,997	96,942	121,793
from Canada	3,646	7,099	10,384	11,092	14,907	17,488	22,286	22,170	26,827
% share	22.4	26.5	28.8	27.8	26.8	25.2	22.1	22.9	22.0
Agricultural	1,627	1,828	1,833	2,209	2,399	3,037	3,083	3,167	4,648
from Canada	114	87	108	128	148	216	242	231	281
% share	7.0	4.8	5.9	5.8	6.2	7.1	7.8	7.3	6.1
Mining	2,338	2,559	2,978	3,165	4,397	6,747	19,690	23,114	31,100
from Canada	740	1,031	1,268	1,557	2,007	2,309	4,989	5,212	5,310
% share	31.7	40.3	42.6	49.5	45.6	34.2	25.3	22.6	17.1
Other Primary	139	123	124	96	79	102	121	116	133
from Canada	44	39	35	38	25	30	47	47	45
% share	31.9	31.7	28.0	39.8	32.1	29.8	38.9	40.6	34.2
Manufact.	11,243	20,954	29,365	32,832	46,652	57,081	74,359	66,960	82,242
from Canada	2,577	5,549	8,455	8,889	12,146	14,283	16,120	15,760	20,235
% share	22.9	26.5	28.8	27.1	26.1	25.0	21.7	23.5	24.6
Not Allocated	903	1,353	1,868	1,649	2,073	2,510	3,744	3,585	3,671
from Canada	171	393	518	470	581	650	888	920	956
% share	18.9	29.1	27.7	28.5	28.0	25.9	23.7	25.7	26.1
Total less energy	15,085	25,488	34,363	38,197	52,462	64,364	83,569	76,210	93,384
from Canada	3,346	6,570	9,635	10,144	13,452	15,871	18,178	17,812	22,676
% share	22.2	25.8	28.0	26.6	25.6	24.7	21.8	23.4	24.3

	Average Annual % Growth						
	1962-69	1969-72	1974-75	1975-76	1967-76	1969-76	1962-76
Total Imports	12.1	15.5	-4.0	25.6	18.3	19.0	15.5
from Canada	16.1	12.8	-0.5	21.0	15.9	14.5	15.3
Agriculture	1.7	9.4	2.7	46.8	10.9	14.2	7.8
from Canada	-0.8	11.1	-4.3	21.6	13.9	14.7	6.6
Mining	3.5	13.9	17.4	34.5	32.0	39.8	20.3
from Canada	8.0	16.5	4.5	1.9	20.0	22.7	15.1
Other Primary	-1.6	-14.1	-4.4	15.0	0.9	1.0	-0.3
from Canada	-3.4	-10.1	-0.2	-3.2	1.8	3.9	0.2
Manufacturing	14.7	16.7	-10.0	22.8	16.4	15.9	15.3
from Canada	18.5	12.8	-2.2	28.4	15.5	13.3	15.9
Not Allocated	10.9	3.5	-4.2	2.4	11.7	10.1	10.5
from Canada	17.1	3.9	3.6	3.9	10.4	9.2	13.1
Total less energy	12.5	15.2	-8.8	22.5	15.5	15.4	13.9
from Canada	16.3	11.8	-2.0	27.3	14.8	13.0	14.6

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sectoral groups by ITC.



TABLE 7.5

## CANADA'S SHARE OF UNITED STATES IMPORTS BY MAJOR SECTOR AND INDUSTRY GROUP,

1962 to 1976

(Percentages based on \$ millions U.S.)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Agriculture	7.0	5.9	4.5	6.5	6.2	4.8	5.1	5.9	5.6	5.6	6.2	7.1	7.8	7.3	6.1
Mining	31.7	32.9	33.9	33.8	35.4	40.3	42.7	42.6	49.5	47.3	45.6	34.2	25.3	22.6	17.1
Metals	39.0	39.9	41.0	39.5	40.1	42.0	43.0	40.0	44.7	42.8	43.2	43.6	39.0	36.4	43.9
Energy Products	25.7	27.7	28.9	29.3	32.4	39.9	40.3	44.6	54.0	50.1	46.9	31.6	23.6	21.0	14.6
Other	31.5	35.5	36.8	37.6	33.0	36.1	37.4	40.0	40.4	41.1	40.6	37.1	38.8	33.5	38.9
Other Primary Products	31.9	31.6	25.5	26.2	24.7	31.7	27.8	28.0	39.8	34.2	32.1	29.7	38.9	40.6	34.2
Manufactures	22.9	23.9	23.2	22.6	23.9	26.5	27.0	28.8	27.1	27.3	26.1	25.0	21.7	23.5	24.6
Food & Beverages	11.4	14.0	12.4	14.2	12.8	11.9	12.0	13.0	12.7	12.4	11.7	12.3	8.6	10.0	10.9
Tobacco Products	.5	.4	.4	.5	.8	2.4	3.8	5.1	5.2	4.8	3.8	3.8	3.5	4.5	4.7
Rubber & Plastics	9.1	11.2	7.3	5.9	10.7	11.1	7.2	5.8	8.4	7.7	7.5	11.1	9.7	11.6	17.1
Leather Products	5.1	3.7	3.1	3.5	3.5	2.7	2.7	2.7	3.3	3.6	3.1	2.8	3.1	2.6	2.2
Textile Products	1.5	1.4	1.5	2.1	1.9	1.9	2.0	1.7	2.3	2.5	2.5	2.7	3.1	2.3	2.1
Knitting Mill Products	.4	.3	1.1	1.2	1.0	.9	.7	1.1	1.4	1.1	.7	.5	.4	.2	.2
Clothing	.7	.8	.8	1.0	1.8	1.9	2.5	4.0	3.4	3.6	4.0	4.6	3.4	2.2	1.3
Wood Products	64.4	65.9	65.0	64.3	60.9	61.8	62.6	60.5	58.9	65.2	67.8	68.6	63.1	64.5	67.9
Furniture	2.7	5.1	7.4	17.1	29.1	32.2	40.2	46.4	47.4	52.2	44.9	39.8	40.2	44.2	40.6
Pulp & Paper Products	88.9	90.3	91.0	90.9	90.7	91.1	90.8	91.5	91.2	91.7	90.5	89.4	91.6	93.4	92.2
Printing & Publishing	7.1	9.2	10.1	10.3	8.4	10.5	11.3	13.1	15.1	17.8	17.1	18.3	20.2	18.3	21.6
Primary Metal Products	29.6	27.5	25.7	21.5	21.7	22.9	21.3	23.3	24.0	21.5	21.6	20.5	16.8	18.7	20.9
Fabricated Metal Products	6.3	6.7	10.8	11.4	14.9	17.6	21.2	23.2	22.5	22.1	18.9	19.4	17.9	19.6	20.6
Machinery	28.4	31.2	35.5	33.5	33.6	33.2	32.6	33.2	31.4	34.1	32.9	29.5	28.3	28.1	29.5
Transportation Equipment	13.3	13.6	14.8	20.6	37.2	53.7	54.9	59.0	53.5	49.7	47.1	45.6	41.9	45.4	48.1
Electrical Products	13.3	14.0	12.4	11.3	10.6	11.5	12.0	10.4	10.9	8.5	5.8	6.0	6.8	7.2	4.6
Non Metallic Mineral Products	8.2	9.5	9.3	9.8	9.4	9.3	10.3	12.1	15.9	18.8	17.3	18.6	16.0	16.6	17.3
Petroleum & Coal Products	2.4	1.9	1.4	1.1	1.2	1.4	2.2	2.6	4.0	3.9	8.1	7.3	5.4	6.2	5.2
Chemicals & Products	31.3	30.5	28.1	29.5	27.6	29.0	26.6	26.3	25.9	25.7	22.7	23.3	19.7	22.1	25.2
Miscellaneous Manufactured Products	2.7	2.8	2.1	2.6	2.0	2.4	2.7	3.2	4.1	3.9	3.6	3.3	3.2	3.2	2.9
Non Allocated	21.7	24.4	23.7	24.0	28.0	29.1	27.8	29.8	28.7	27.3	28.3	26.3	24.0	26.0	26.4
Total Imports	22.4	22.5	22.7	22.6	24.0	26.5	27.0	28.8	27.8	27.9	26.8	25.2	22.1	22.9	22.0

Source: UN Commodity Trade Statistics, ITC International Trade Data Book; data classified to sectoral groups by ITC.

TABLE 7.6  
PERCENTAGE CHANGE IN U.S. IMPORTS OF MANUFACTURED GOODS,  
FROM CANADA, 1963 to 1976

(Based on \$U.S.)

	1963 1962	1964 1963	1965 1964	1966 1965	1967 1966	1968 1967	1969 1968	1970 1969	1971 1970	1972 1971	1973 1972	1974 1973	1975 1974	1976 1975	% Average Annual Growth 1962 - 1970
Total Manufactures	6.1	13.3	15.6	31.3	18.0	29.4	17.8	5.1	16.4	17.4	17.6	12.9	-2.2	28.4	15.9
Food & Beverages	3.1	9.1	15.5	8.8	-1.8	15.0	12.3	11.6	2.3	11.0	30.2	-12.0	4.7	16.1	8.8
Tobacco Products	0.0	53.3	30.4	73.3	257.7	134.4	49.5	40.8	1.6	10.6	4.4	16.2	46.1	37.6	48.3
Rubber & Plastics	35.7	21.8	-3.3	108.0	34.8	-3.5	1.4	85.4	3.0	30.4	94.5	-4.2	18.9	120.6	32.8
Leather Products	-27.1	62.7	38.5	17.0	-8.1	38.2	17.7	51.5	22.9	12.0	4.5	17.6	-8.4	16.5	15.9
Textile Products	0.6	3.5	58.1	2.4	-21.2	23.6	-15.9	43.8	25.4	13.1	15.6	13.3	-42.1	20.0	6.9
Knitting Mill Products	3.4	255.9	53.0	-5.6	-4.1	3.3	98.5	35.3	11.6	-12.2	-15.1	-15.4	-45.9	7.4	12.8
Clothing	10.2	24.1	31.8	103.5	17.8	71.4	114.7	-0.6	12.3	22.1	29.9	-14.7	-22.8	-11.7	21.9
Wood Products	12.2	3.8	2.1	3.2	-0.7	42.6	8.2	-18.7	50.0	51.4	27.6	-29.4	-19.7	66.2	10.7
Furniture	105.8	86.3	197.5	129.5	24.4	82.3	67.2	22.8	24.5	6.7	10.1	12.6	-0.4	24.2	48.2
Pulp & Paper Products	0.7	10.6	6.0	10.8	-3.3	3.2	13.2	-1.3	5.4	5.4	19.4	41.7	-7.0	21.9	8.4
Printing & Publishing	37.1	22.5	15.0	3.0	32.5	19.7	27.1	46.5	20.1	27.5	13.3	30.5	-4.8	33.0	22.4
Primary Metal Products	5.3	7.8	16.4	15.4	8.6	26.2	-8.5	14.1	3.9	14.0	7.3	39.3	-13.4	23.4	10.7
Fabricated Metal Products	8.9	78.3	29.9	48.6	36.1	55.4	31.6	12.5	-1.0	14.0	26.5	33.0	-3.3	19.9	26.1
Machinery	29.8	53.1	23.7	54.9	12.2	13.2	18.9	12.7	22.2	21.5	11.3	13.5	9.2	20.3	21.9
Transportation Equipment	7.4	33.9	83.2	220.3	86.0	58.9	31.4	1.3	24.7	16.5	12.2	6.3	3.2	31.5	36.5
Electrical Products	8.7	1.0	26.5	41.6	20.2	37.5	14.8	19.3	-11.0	-9.5	35.0	29.5	-5.6	-1.0	13.5
Non Metallic Mineral Products	15.0	10.9	9.7	10.9	-2.2	42.2	36.0	40.6	21.6	28.0	30.6	-11.9	-3.9	24.6	16.9
Petroleum & Coal Products	-17.9	-25.9	-4.9	14.1	17.4	69.4	28.6	84.9	5.4	145.3	63.4	90.6	-17.7	-19.1	22.3
Chemicals & Products	11.7	20.8	16.3	14.5	5.7	7.6	8.2	16.0	11.1	9.4	25.5	36.5	4.0	48.8	16.3
Miscellaneous Manufactured Products	9.6	-11.6	44.6	-7.7	29.9	38.8	32.5	41.7	-2.0	21.5	12.5	7.5	-3.1	25.9	15.7

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sectoral groups by ITC.

TABLE 7.7

CANADIAN PARTICIPATION IN U.S. IMPORTS OF MANUFACTURED GOODS

Sector	Value of Imports 1976		% Distribution 1976		Growth of US Imports Avg. Ann. % 1962-76	Canadian Share								
	\$US Millions		US Cda			1962	1967	1969	1970	1972	1973	1974	1975	1976
	US	from Cda	US	Cda										
Manufactures Total	82,242	20,234	100.0	100.0	15.3	22.9	26.5	28.8	27.1	26.1	25.0	21.7	23.5	24.6
Food & Beverages	8,221	898	10.0	4.4	9.1	11.4	11.9	13.0	12.7	11.7	12.3	8.6	10.0	10.9
Tobacco Products	53	3	0.1	..	22.6	0.5	2.4	5.2	5.2	3.8	3.8	3.5	4.5	4.7
Rubber & Plastics	1,887	323	2.3	1.6	27.1	9.1	11.1	5.8	8.4	7.5	11.1	9.7	11.6	17.1
Leather Products	2,212	48	2.7	0.2	23.1	5.1	2.7	2.7	3.3	3.1	2.8	3.1	2.6	2.2
Textile Products	1,858	39	2.3	0.2	4.4	1.5	1.9	1.7	2.3	2.5	2.7	3.1	2.3	2.1
Knitting Mill Products	1,424	3	1.7	..	19.6	0.4	0.9	1.1	1.4	0.7	0.5	0.4	0.2	0.2
Clothing	1,857	24	2.3	0.1	17.1	0.7	1.9	4.0	3.4	4.0	4.6	3.4	2.2	1.3
Wood Products	2,174	1,475	2.6	7.3	10.3	64.4	61.8	60.5	58.9	67.8	68.6	63.1	64.5	67.9
Furniture	550	223	0.7	1.1	22.3	2.7	32.2	46.4	47.4	44.9	39.8	40.2	44.2	40.6
Pulp & Paper	3,318	3,060	4.0	15.1	8.2	88.9	91.1	91.5	91.2	90.5	89.4	91.6	93.4	92.2
Printing & Publishing	322	69	0.4	0.3	13.0	7.1	10.5	13.1	15.1	17.1	18.3	20.2	18.3	21.6
Primary Metal Products	8,008	1,676	9.7	8.3	13.4	29.6	22.9	23.2	24.0	21.6	20.5	16.8	18.7	20.9
Fabricated Metal Products	2,322	478	2.8	2.4	16.0	6.3	17.6	23.2	22.5	18.9	19.4	17.9	19.6	20.6
Machinery	7,313	2,160	8.9	10.7	21.5	28.4	33.2	33.2	31.4	32.9	29.5	28.3	28.1	29.5
Transportation Equipment	15,636	7,519	19.0	37.2	24.5	13.3	53.7	59.0	53.5	47.1	45.6	41.9	45.4	48.1
Electrical Products	8,304	384	10.1	1.9	22.4	13.3	11.5	10.5	10.9	5.8	6.0	6.8	7.2	4.6
Non Metallic Mineral Prod.	961	167	1.2	0.8	10.8	8.2	9.3	12.1	15.9	17.3	18.6	16.0	16.6	17.3
Petroleum & Coal Products	5,531	286	6.7	1.4	15.8	2.4	1.4	2.6	4.0	8.1	7.3	5.4	6.2	5.2
Chemicals & Products	4,929	1,244	6.0	6.1	18.1	31.3	29.0	26.2	25.9	22.7	23.3	19.7	22.1	25.2
Misc. Manufactured Prod.	5,362	155	6.5	0.8	15.1	2.7	2.4	3.1	4.1	3.6	3.3	3.2	3.2	2.9

Note: .. indicates less than 0.05 percent.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sectoral groups by ITC.



#### 7.4.2 Areas of Canadian Strength

Within manufacturing, Canada's share of U.S. imports has risen most noticeably in transportation equipment, fabricated metal products and rubber and plastic products (see Tables 7.5 and 7.7). Smaller sectors such as furniture<sup>1</sup>, non-metallic minerals, printing and publishing and tobacco products have also doubled or more since the early 1960's.

Of these groups, Canadian sales of rubber and plastics, transportation equipment, tobacco and furniture have been in import sectors themselves expanding at well above average rates. Rising Canadian shares were also experienced in fabricated metals and in petroleum and coal products where U.S. import growth was still, but less noticeably, above average. In the machinery sector, Canadian sales grew marginally faster than the quite rapid expansion in U.S. imports. Rising Canadian shares in textiles, clothing, wood, pulp and paper, printing and publishing, non-metallic minerals and miscellaneous manufactures were all accompanied by below average U.S. import growth.

In all, Canada strengthened its position in 14 of 20 import categories of manufactured goods, or nearly 80 percent of such Canadian sales to the U.S. These 14 sectors make up approximately 60 percent of all U.S. manufacturing imports. In the 6 remaining industry sectors, Canada's position weakened. For chemicals, electrical products, leather and knitting, U.S. offshore requirements expanded at rates above the average for all imports of manufactured goods; below average rates of U.S. import growth were recorded for primary metals and for food and beverages. At the same time, all larger groups in which Canada has been unable to gain ground (primary metals, chemicals and food) appeared to reach a minimum share in 1974 and have since shown progressive gains through to 1976. A like pattern of troughing during the recession followed by improving shares can be seen in a number of other sectors where Canada's share has risen. Transportation equipment and wood products are examples.

A summary of Canada's participation in each of the major industrial groups within the U.S. manufacturing import market is presented in Table 7.8. Of the 208 commodity sub-groups that have been considered, growth in the 1970's took place in some 93 at a rate equal to or faster than was the case for the major group to which the sub-groups were classified. These faster growing commodity areas in total accounted for some \$38 billion out of the \$82 billion in total manufacturing imports in 1976. Canada was situated reasonably well in all: growth industries made up 46 percent of all U.S. manufacturing imports and the above categories accounted for 45 percent of total manufactures imported from Canada.

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<sup>1</sup> In 1976, auto seats accounted for \$169 million out of \$223 million in U.S. furniture imports from Canada. Almost all of the \$169 million consist of tariff free entries under the Autopact. Canada recently has provided 41 percent of all U.S. furniture imports if auto seats are included (up from 29 percent 10 years earlier). When auto seats are excluded, Canada's 1976 share stands at approximately 15 percent, compared with 7 percent in 1966.



**TABLE 7.8**  
**U.S. IMPORTS OF MANUFACTURED GOODS: 1976 VALUE, CANADA'S SHARE**

**AND THE DISTRIBUTION OF SUB-GROUPS**

	United States Imports			United States Imports from Canada				Value of all sub-groups in which Cdn. share held or rose 1967-76			
	1976 Value			1976 Value and % Canadian share				Value of Cdn. participation in U.S. sub-groups with stable or faster growing shares			
	\$US millions	# of sub-groups	# of sub-groups	\$US millions	% Canadian share	# of sub-groups	\$US millions	\$US millions	# of sub-groups	\$US millions	# of sub-groups
Food & Beverages	8,221	39	21	4,644	10.9	38	461	20	13	220	25
Tobacco Products	53	1	1	53	4.7	1	3	1	1	3	1
Rubber & Plastics	1,887	4	1	920	17.1	4	259	1	1	322	3
Leather Products	2,212	5	2	680	2.2	5	18	2	1	16	1
Textile Products	1,858	16	7	888	2.1	14	23	7	4	14	8
Knitting Mill Products	1,424	1	1	1,424	0.2	1	3	1	-	-	-
Clothing	1,857	4	2	1,619	1.3	4	22	2	-	2	1
Wood Products	2,174	5	1	1,339	67.9	5	1,261	1	1	1,383	4
Furniture & Fixtures	550	1	1	550	40.6	1	223	1	1	223	1
Pulp & Paper	3,318	3	2	1,326	92.2	3	1,188	2	2	3,060	3
Printing & Publishing	322	1	1	322	21.6	1	69	1	1	69	1
Primary Metal Products	8,008	18	7	3,173	20.9	18	884	7	4	752	11
Fabricated Metal Products	2,322	15	5	1,578	20.6	15	421	5	4	396	11
Machinery	7,313	21	13	4,263	29.5	21	1,070	13	4	404	7
Transportation Equipment	15,635	13	4	4,087	48.1	13	2,394	4	2	922	6
Electrical Products	8,304	13	4	5,037	4.6	13	162	4	1	23	4
Non-Metallic Mineral Products	961	9	5	663	17.3	9	39	5	3	143	6
Petroleum & Coal Products	5,531	3	1	111	5.2	3	10	1	-	274	1
Chemicals & Products	4,928	17	5	2,385	25.2	17	445	5	2	350	6
Misc. Manufactured Products	5,364	19	9	3,076	2.9	19	136	9	3	54	7
Total	82,242	208	93	38,138	24.6	205	9,091	92	48	8,630	107

Note: Totals may not add due to rounding.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank; data classified to sectoral groups by ITC.

If the record is examined from the standpoint of above average longer term growth by Canada in the advancing U.S. industry groups, the result is a much lower percentage. Canada's share in the past 10 years has risen or held stable among recently emerging U.S. sub-sectors to the extent of 23 percent of total Canadian supply to the U.S. of manufactured goods. This amounts to 48 industry sub-groups currently valued at \$4.7 billion, with the strongest presence within the wood and related product groups.

When the instances of steady or rising Canadian shares are enumerated regardless of corresponding U.S. market growth, the number of sub-groups total 107, or some 43 percent of total Canadian supply. Again there is a strong concentration in the wood products area; also in chemical/oil refining, and in a range of other industries outside the food, apparel and metal-using groups where rising sub-groups are not strongly represented among the parent groupings.

## **7.5 CANADA'S COMPETITION**

### **7.5.1 Other Countries' Shares of U.S. Imports**

Canada's leading position in the U.S. import market has, as discussed, shown some decline over the past 8 to 10 years. Essentially, Canada's main competition has come from Japan whose 11 percent share in 1962 increased to 18.9 percent by 1976 (Table 7.9). Taiwan has rapidly increased its small share from 0.5 percent in 1962 to 3.6 percent currently, Mexico advanced from 2.4 to 2.9 percent, and Hong Kong doubled its share from 1.4 to 2.8 percent.

Decreases in market share were at the same time recorded by West Germany, Britain and Italy. These are the ranking suppliers behind Canada and Japan, and each accounts for about 3 to 7 percent of the U.S. market at present. It is worthwhile to note that West Germany and Britain all experienced declines of 2 to 3 percentage points, very much in line with the 2 percentage points lost by Canada. Viewed in relation to their smaller initial shares, however, the European losses are proportionately much heavier.

As a whole, the developing countries excluding the oil producers increased their participation since 1962 by 4 percentage points, moving from 17 percent up to 22 percent by 1976 and moving up still more strongly from a lower level of participation at the close of the 1960's (Table 7.9). The nine members of the EEC together accounted for 28.6 percent of U.S. manufacturing imports in 1962, but 15 years later comprised just 20.5 percent. The share of the oil economies generally declined from 1962 to 1972, rose sharply to 7.7 percent in 1974, and then declined to 5.3 percent by 1976. The centrally planned economies basically trade at the margin although there was some advance, from 0.6 to 1.1 percent, between 1962 and 1976.

TABLE 7.9

UNITED STATES IMPORTS AND IMPORT SHARES  
BY COUNTRY AND REGIONS: ALL MANUFACTURES  
( \$U.S. Millions )

	1962	1967	1969	1970	1972	1973	1974	1975	1976
Total	11,243	20,954	29,365	32,832	46,616	57,081	74,359	66,959	82,242
Index 1970=100	34	64	89	100	142	174	226	204	250
Canada	2,576	5,549	8,455	8,889	12,146	14,283	16,120	15,760	20,234
% share	22.9	26.5	28.8	27.1	26.1	25.0	21.7	23.5	24.6
Japan	1,266	2,927	4,807	5,781	8,947	9,540	12,261	11,233	15,506
% share	11.3	14.0	16.4	17.6	19.2	16.7	16.5	16.8	18.9
West Germany	903	1,864	2,504	3,023	4,118	5,163	6,224	5,219	5,517
% share	8.0	8.9	9.9	9.2	8.8	9.0	8.4	7.8	6.7
United Kingdom	914	1,580	1,970	2,027	2,769	3,369	3,660	3,431	3,904
% share	8.1	7.5	6.8	6.2	5.9	5.9	4.9	5.1	4.8
Italy	375	802	1,146	1,259	1,696	1,922	2,450	2,340	2,421
% share	3.3	3.8	3.9	3.8	3.6	3.4	3.3	3.5	2.9
France	348	581	707	835	1,224	1,553	2,080	1,930	2,291
% share	3.1	2.8	2.4	2.5	2.6	2.7	2.8	2.9	2.8
EEC of 9	3,219	5,958	7,710	8,651	11,775	14,669	18,006	15,590	16,819
% share	28.6	28.4	26.2	26.4	25.3	25.7	24.2	23.3	20.5
Other Developed Market Economies	1,399	2,072	2,813	2,825	4,099	5,231	5,862	5,679	6,566
% share	12.4	9.9	9.6	8.6	8.8	9.2	7.9	8.5	8.0
Taiwan	56	160	380	504	1,278	1,756	2,074	1,903	2,956
% share	0.5	0.8	1.3	1.7	2.7	3.1	2.8	2.8	3.6
Mexico	274	389	567	686	1,077	1,599	2,415	1,994	2,342
% share	2.4	1.9	1.9	2.1	2.3	2.8	3.3	3.0	2.9
Hong Kong	153	458	746	875	1,160	1,351	1,538	1,477	2,282
% share	1.4	2.2	2.6	2.7	2.5	2.4	2.1	2.2	2.8
OPEC	758	972	1,075	1,236	1,400	2,235	5,696	3,955	4,318
% share	6.7	4.6	3.7	3.8	3.0	3.9	7.7	5.9	5.3
Venezuela	348	422	423	549	668	870	2,321	1,212	1,786
% share	3.1	2.0	1.4	1.7	1.4	1.5	3.1	1.8	2.2
Other Developing Market Economies	1,960	3,317	4,505	5,248	7,929	10,580	15,549	13,977	17,880
% share	17.4	15.8	15.3	16.0	17.0	18.5	20.9	20.9	21.7
Centrally Planned Economies	65	159	175	202	320	543	865	765	919
% share	0.6	0.8	0.7	0.6	0.7	1.0	1.2	1.1	1.1

Note on coverage and country classifications:

1. Data for 1962 exclude New Zealand and Yugoslavia.
2. Other Developed Market Economies - excludes Israel, and includes Turkey together with certain miscellaneous items unclassified as to country.
3. OPEC includes the 13 members of OPEC together with several smaller oil related economies (e.g. the Netherlands Antilles).
4. Other Developing Market Economies - includes Israel and excludes Turkey.

Source: UN Commodity Trade Statistics, ITC International Trade Data Bank.



### 7.5.2 Canada's Share of U.S. Domestic Markets

To this point, the basis of discussion has been Canadian sales relative to U.S. imports. In reality, however, competition for the American sales dollar arises as much if not more strongly from U.S. business itself. A truer test of competitiveness in a foreign market is thus not simply share performance against imports but, rather, performance, in terms of the share of the domestic market<sup>1</sup>.

Table 7.10 offers some insight into how far Canadian, other external suppliers, and U.S. domestic producers compete with one another. The basic data are estimates from 1972 to 1976 of U.S. domestic consumption, sales by Canada and total imports according to each of the 20 major manufacturing groups represented in the Canadian industrial classification.

For manufacturing generally, two features stand out. The first is the overwhelming position enjoyed by U.S. domestic producers in all groups. External supply is no more than a fifth of apparent domestic consumption in any one group (i.e. leather), and much more frequently accounts for only five percent or less.

Secondly, in spite of more than 90 percent U.S. dominance in the apparent market for a majority of U.S. sectors, these sectors have been very gradually opening to imports. An exception appears to be in food and beverages, where, instead of the 92.3 percent of U.S. consumption coming from local sources in 1972, the ratio has since risen to 96.5 percent. Here, Canadian and other foreign sources have both seen their percentage participation decline. In three other groups, textiles, knitting mills and wood products, increases in U.S. sourcing may also have occurred.

Canada's largest percentage of U.S. domestic consumption lies in paper and allied products where it has risen from just under five to nearly six percent of U.S. outlays between 1972 and 1976. Other foreign suppliers in the meantime saw their much smaller share decline. In wood products, Canada also has nearly 6 percent of U.S. domestic consumption, though U.S. producers have recently displaced some of the supply from foreign sources including Canada.

Canada's share of American domestic demand for transportation equipment is in the neighbourhood of 5 percent, up somewhat from 1972. Canada's share of U.S. imports in the same group stands by comparison at just over 48 percent. In terms of both U.S. imports and domestic

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<sup>1</sup> The term domestic market means apparent domestic consumption or disappearance. It is calculated for a given industrial sector or commodity group by subtracting exports from shipments and adding imports.



consumption, the Canadian position has shown some improvement since 1972. Foreign suppliers of transportation equipment, excepting Canada, show a minor decrease in their share of U.S. domestic consumption over the same period.

TABLE 7.10  
PERCENTAGE COMPOSITION OF U.S. DOMESTIC CONSUMPTION  
BY SOURCE OF SUPPLY

	<u>From U.S. Domestic Suppliers</u>		<u>From Canadian Suppliers</u>		<u>From other Foreign Suppliers</u>	
	<u>1972</u>	<u>1976</u>	<u>1972</u>	<u>1976</u>	<u>1972</u>	<u>1976</u>
Food and Beverages	92.26	96.48	0.47	0.44	3.27	3.08
Tobacco Products	99.50	99.36	0.01	0.03	0.49	0.61
Rubber and Plastic Products	95.38	94.30	0.26	0.64	4.36	5.06
Leather Products	84.67	79.95	0.32	0.49	15.06	19.56
Textiles	95.02	95.74	0.10	0.10	4.88	4.16
Knitting Mill Products	98.27	99.39	0.11	0.04	1.62	0.57
Clothing	92.34	87.98	0.25	0.17	7.41	11.85
Wood Products	91.69	91.92	5.92	5.85	2.39	2.23
Furniture and Fixtures	97.53	96.59	0.28	0.38	2.19	3.03
Paper and Allied Products	94.23	93.38	4.95	5.88	0.82	0.74
Printing and Publishing	99.20	99.17	0.12	0.18	0.68	0.65
Primary Metals	91.24	91.07	2.12	2.36	6.64	6.57
Metal Fabricated Products	97.69	96.88	0.23	0.32	2.08	2.80
Machinery	94.16	93.00	1.29	1.45	4.55	5.55
Transportation Equipment	89.72	89.47	4.49	5.27	5.79	5.26
Electrical and Electronics	92.71	89.03	0.43	0.47	6.86	10.50
Non-Metallic Mineral Products	96.43	96.38	0.51	0.53	3.06	3.09
Petroleum and Coal Products	92.93	91.98	0.47	0.17	6.60	7.85
Chemicals and Chemical Products	96.90	96.03	0.53	0.74	2.57	3.23
Miscellaneous Manufactures	90.47	88.06	0.67	0.54	8.86	11.40
TOTAL MANUFACTURES	94.08	93.45	1.45	1.62	4.47	4.93

Source: Statistics Canada, External Trade Division, Exports by Stage of Fabrication (Fabricated Materials & End Products).  
U.S. Department of Commerce, BUREAU OF THE CENSUS, Shipments: U.S. Annual Survey of Manufactures, Industry Profiles 1958-65; 1971, 1973, 1975, 1976 - (AS) Series.  
Exports and Imports: U.S. Commodity Exports and Imports as Related to Output, ES2 Series 7 to 14. For the years 1972 through 1976 inclusive, data was available on unpublished printouts EA675 and IA275.

Canada's other "larger" shares in U.S. domestic consumption include primary metal products (2.4 percent) and machinery (1.5 percent). Other foreign sources appear to have decreased in relative importance while Canadian suppliers marginally increased their penetration. U.S. domestic suppliers also accounted for a lower share in the apparent market for machinery goods, except that overseas sources were much stronger gainers than Canada.

Overall, Canadian exporters have managed to displace some part of U.S. production in 13 industry groups. In 8 groups, other foreign gains in terms of percentage points were greater than those by Canada (tobacco, rubber and plastics, leather, furniture, metal fabricating, machinery, electrical and electronics, non-metallic mineral and chemical products). Increased Canadian sales on the other hand were the main reason for U.S. producer displacement in 6 other categories where the total share of other foreign suppliers declined (paper and allied products, printing and publishing, primary metals, and transportation equipment).

In sum, Canada's declining share in U.S. manufacturing imports for the 1972-76 period does not appear as a decline at all when taken in the context of total U.S. consumption. While Canada's share of manufacturing imports fell from 26.1 percent in 1972 to 24.6 percent in 1976, her much smaller share of U.S. demand rose slightly from 1.5 to 1.6 percent.

CHAPTER VIII

FACTORS IN CANADA'S TRADE PERFORMANCE





## CHAPTER VIII

### FACTORS IN CANADA'S TRADE PERFORMANCE

#### 8.1 INTRODUCTION

In the preceding chapters of this report, Canada's trade performance has been examined in terms of a number of measures; the increases in volume and value of exports and imports, the changes in the balance of trade, the changes in the commodity composition of Canada's exports and imports, the changes in the geographic pattern of Canada's trade, the changes in the ratios of exports to domestic production and of imports to domestic demand, and the changes in Canada's share of exports to the world as a whole, to specified markets and of exports of specified commodity groups. This chapter seeks to assess the significance of the changes that have been identified and to suggest whether these changes should be regarded as favourable or unfavourable or merely neutral.

The usually accepted interpretation of these changes is not always appropriate. For instance, the rise in the proportion of domestic demand of any commodity which is supplied by imports is often decried as an example of the weakening competitive position of the Canadian economy. But when this is accompanied, as it generally has been, by an increase in the proportion of domestic output which is exported, it is more likely evidence of a desirable specialization in production. Changes in other measures too are sometimes difficult to assess.

In the final analysis, it is the contribution of international trade to the economic welfare of Canadians that is the most important measure of Canada's trade performance. As has been indicated in Chapter I, the large increase in the volume and value of Canadian trade in the post-war period has been associated with a strong increase in real incomes per capita. While undoubtedly a part of this achievement is due to improved performance of industry oriented to the domestic market, it is clear that the expansion of trade has played a significant role. Whether Canada achieved the maximum possible benefit from this expansion of trade or whether the growth took place in the most appropriate sectors is not possible to determine. But, in any event, the period marked the strongest growth in per capita incomes since Confederation.

This chapter reviews the main changes in the measures of trade performance since 1960, many of which are directly related to our competitive position. The chapter then proceeds to examine a few of the factors which would seem to have affected these measures.

## 8.2 DIMENSIONS OF TRADE PERFORMANCE

### 8.2.1 Summary of Trade Performance

This report identifies seven main developments in Canada's trade performance in the 1960's and 1970's. They were (1) a massive increase in the volume and value of exports (and imports) which substantially exceeded the growth in the economy as a whole, (2) a significant shift in the composition of Canada's exports towards manufactured goods (3) a decline in the share of farm products and of metal ores in exports, (4) a simultaneous increase in both the export orientation of Canadian manufacturing and the degree of import penetration of the Canadian domestic market for manufactured goods (5) an improvement in Canada's balance of trade in manufactured goods in that the deficit has declined relative to total trade in manufactured goods, (6) a maintenance of Canada's share of total world commodity trade in volume terms by the end of 1977 compared to the beginning of the 1960's but with a slight decline in the Canadian share of total commodity exports in value terms because of the sharp increases in the price of crude petroleum and the increasing share of world exports in that product supplied by the OPEC and (7) a rise in the Canadian share of world trade in manufactured goods in volume terms but about the same proportion in value terms in 1977 compared to 1960.

Most of these developments which have been observed in Canada's trade were world-wide phenomena. It has already been noted that international trade, particularly in the industrial world, has grown faster than production and that there has been a global shift towards trade in manufactured goods (when measured in volume terms; in value terms, international trade in crude petroleum has in recent years reached a record share of total trade) with an increase in export orientation and import penetration in every industrial country.

The trends in Canada's trade performance were not by any means uniform during the period. The 1960's showed the biggest changes with strong increases in the volume and value of trade, a sharp increase in export orientation and import penetration in manufactured goods, a major improvement in Canada's commodity balance of trade in manufactured goods and a considerable increase in Canada's share of world trade in total and in manufactured goods. The rapid growth in Canada's trade in automotive goods associated with the Canada-United States Autopact was a major factor in this change but it was not the only factor.

The early 1970's, during which there was unprecedented growth in the industrial world, saw some slippage in Canada's trade performance as measured by the indices identified in this chapter. This relative deterioration was accentuated during the recession of 1974 and 1975. During the economic recovery, relatively slow as it has been, there has been a significant improvement in Canada's trade performance with a return to the pre-recession position in the most important indices.

### **8.2.2 Description of Factors Affecting Trade Performance**

The patterns of Canada's trade performance revealed in the previous chapters of this report have been the product of many factors. Some of these have already been identified. This chapter recapitulates these but will also consider other factors which have been of some importance.

The factors affecting Canada's trade performance fall into two broad categories, those of a general nature which impact on a wide range of commodities or even on all commodity trade, and those of a specific nature affecting a single commodity or a narrow range of commodities. Within these broad categories, there are instances where there are factors affecting trade in one commodity or all commodities in a single geographic area.

The importance of the Canada-U.S. Automotive Products Agreement has been emphasized at several points in the report. It has transformed not only Canada's trading relationships with the United States but also the composition of Canada's trade statistics.

Two factors having a general impact, tariff changes (and establishment of common markets) and price and cost developments, are given detailed attention in this chapter. It is known, of course, that there are many other factors affecting trade performance. Indeed, the major single explanatory variable for Canada's growth in exports is simply the growth in the economies of our trading partners. This study is more interested, however, in examining how well Canada did vis-à-vis other countries in these growing markets.

Another factor which it has not been possible to consider in detail in this study is the change in the supply of a given commodity or group of commodities brought about by weather, the depletion of existing supplies of natural resources, the discovery of new resources or the



increased utilization of existing resources because of technological advances (some or all of which have affected Canada's trade performance in grain, nickel, copper, pulp and paper and newsprint). Still other factors not considered in detail include changes in consumer preferences brought about largely by rising income (the shift from rice to wheat in Japan - favourable for Canada, the shift from grains to other foods in Western Europe - unfavourable), changes in the technology of production including changes in the composition of industrial output (for instance, the increased importance of commercial aircraft production with the production of giant airliners requiring financial resources beyond the capability of any but the largest corporations in the world), political events (which have brought about a significant increase in world trade in armaments largely supplied by the United States - an unfavourable development for Canada since this country has only a minimal defence production establishment), the growth in multinational enterprises introducing sometimes mysterious variables into the trading equations and the increased role of state-owned enterprises and of state intervention in trade in the market economies as well as in the centrally planned economies.

### **8.2.3 Reduction in Trade Barriers**

The unprecedented growth in commodity exports in the post-war period reflected in part the decline in tariff barriers. This report has already drawn attention to the fact that the increase in volume of trade has substantially exceeded the increase in volume of output indicating an increased rationalization of production on an international scale. These reductions in tariffs on manufactured goods in the post-war period have amounted to about 60 percent for Canada, the United States and the European Community and about 50 percent for Japan. This was achieved in a number of stages. The effect of them was cumulative and undoubtedly delayed. No attempt has been made to establish a precise relationship between given tariff reductions and given increases in export trade.

The period under review in this study begins with 1960. The Dillon Round of tariff cuts in the period 1958 to 1962 reduced industrial tariffs by about 20 percent on average although they were concentrated on a number of specific commodities. The Kennedy Round produced an average 35 percent tariff cut on manufactured goods.

The tariff cuts that were made were on a most favoured nation basis and extended to all members of the General Agreement on Tariffs and Trade. Their effect on the exports of particular countries might differ widely but this would be due to the comparative advantage of those countries or perhaps other factors.

But there were two developments which adversely affected Canada's competitive position vis-à-vis some other industrial nations. The first was the establishment of the European Common Market with its first reduction of internal tariffs and the establishment of external tariff schedules in January 1959 and the associated development of the European Free Trade Association with its first reduction of internal tariffs (of 20



percent) in January 1960. The second was the delining role of the British Commonwealth Preferential Tariff, particularly the loss of preferential access to the U.K. market with its accession to the European Common Market in January 1973. With the full implementation in 1977 of tariff-free exchange of manufactured goods between the EFTA countries and the European Economic Community, Canada now faces some tariff disadvantage in Western European markets vis-à-vis many Western European competitors.

Prior to 1973 it is estimated that Canada had duty free entry for about 90 percent of its exports to the United Kingdom. Upon the accession of the United Kingdom to the EEC, Canada's free access was limited to about 50 percent of its exports. The adverse effect was on goods valued at about \$600 million of which \$350 million was made up of newsprint, aluminum, wood-pulp and wheat and between \$250 million and \$300 million was made up of semi- and fully-manufactured products such as lead and zinc products, liner and container board, cotton fabrics and processed food stuffs such as canned salmon.

With the accession of the United Kingdom to the EEC, other EEC countries gained a 10 percent advantage in the United Kingdom market on those products upon which a tariff is imposed. This is also true in relation to the French market, the West German market and so on. Moreover, with the full implementation of tariff-free entry of manufactured goods from the EFTA countries to the European Common Market, Canada faces some competitive disadvantage here also. Newsprint from Sweden and metals from both Sweden and Norway now have this kind of tariff advantage over Canada. The combination of these two factors has affected our trade with the United Kingdom, although the share of our trade with the United Kingdom had been declining even before its accession to the European Community. These tariff factors and other non-tariff barriers would seem to have restricted the growth of our exports to the Continental members of the European Community in spite of the steady improvement in our competitive position with these markets (as measured by cost and price trends).

The decline in tariff barriers on manufactured goods has initially had its major effect on Canada's trade with the United States in industrial machinery and certain other end products. For instance, exports of industrial machinery to the United States rose from \$11 million in 1960 to \$254 million in 1970 and to \$752 million in 1977. Imports of industrial machinery from the United States rose from \$292 million in 1960 to \$1,150 million in 1970 and to \$2,760 million in 1977. This was part of a world-wide trend as trade in industrial machinery among other industrialized countries increased many-fold as did that between Canada and the United States.

TABLE 8.1

CANADA'S SHARE OF WORLD EXPORT MARKETS

(percent)

	1960	1962	1969	1972	1973	1974	1975	1976	1977
<u>World Exports</u>									
Total	4.3	4.2	5.0	5.0	4.5	4.0	3.7	3.9	3.7
Manufactured Goods	3.6	3.3	4.8	4.3	3.8	3.4	3.2	3.5	3.5
<u>Imports of All goods By</u>									
OECD	n.a.	5.9	6.9	6.4	5.7	5.2	5.0	5.2	n.a.
United States		22.4	28.8	26.8	25.2	22.1	22.9	22.0	
Japan		4.5	4.5	4.9	5.3	4.3	4.3	4.2	
EEC (excluding intra-Community trade)									
United Kingdom		4.7	4.0	3.7	3.4	3.1	2.8	2.8	
West Germany		7.8	6.1	5.3	4.5	4.1	3.4	3.7	
France		1.8	1.3	1.1	1.1	1.1	1.0	1.1	
Italy		1.0	0.9	0.8	0.9	1.0	0.9	1.0	
		1.2	1.2	1.3	1.3	1.5	1.5	1.3	
<u>Imports of Manufactured goods by</u>									
OECD		5.4	6.8	6.1	5.4	5.0	4.7	5.2	
United States		22.9	28.8	26.1	25.0	21.7	23.5	24.6	
Japan		2.4	4.3	3.5	3.4	3.3	3.4	3.4	
EEC (excluding intra-Community trade)									
United Kingdom		4.5	3.8	3.5	3.2	3.5	3.0	3.1	
West Germany		7.0	5.4	4.6	4.0	4.1	3.2	3.4	
France		1.0	0.8	0.7	0.7	0.8	0.7	0.8	
Italy		0.8	0.8	0.6	0.7	1.0	0.9	1.0	
		0.8	0.9	0.8	0.6	0.9	0.9	0.9	
<u>Imports of Manufactured Goods by</u>									
<u>OECD by Major Sector<sup>1</sup></u>									
Food and Beverages		2.5	3.8	3.4	3.4	2.6	2.6	3.0	
Wood Products		22.4	23.1	25.2	22.2	17.9	16.2	19.7	
Pulp and Paper		36.7	32.2	28.1	25.4	24.7	26.0	26.9	
Primary Metal Products		9.7	7.0	6.8	5.5	5.0	5.1	5.5	
Machinery		2.4	4.7	4.8	4.2	4.0	3.9	4.3	
Transportation Equipment		2.3	16.2	13.9	12.3	11.8	10.8	11.6	
Chemicals and Products		4.4	3.6	3.1	2.8	2.5	2.7	3.2	
<u>Imports of Manufactured Goods by</u>									
<u>the U.S. by Major Sector<sup>1</sup></u>									
Food and Beverages		11.4	13.0	11.7	12.3	8.6	10.0	10.9	
Wood Products		64.4	60.5	67.8	68.6	63.1	64.5	67.9	
Pulp and Paper		88.9	91.5	90.5	89.4	91.6	93.4	92.2	
Primary Metals		29.6	23.2	21.6	20.5	16.8	18.7	20.9	
Machinery		28.4	33.2	32.9	29.5	28.3	28.1	29.5	
Transportation Equipment		13.3	59.0	47.1	45.6	41.9	45.4	48.1	
Chemicals and Products	n.a.	31.3	26.3	22.7	23.3	19.7	22.1	25.2	n.a.

<sup>1</sup>Seven leading sectors of Canada's exports to OECD

n.a. = not available

Source: UN, Monthly Bulletin of Statistics, June 1978

UN, Handbook of International Trade and Development Statistics, UNCTAD, 1976

UN, Commodity Trade Statistics - ITC International Trade Data Bank

## **8.2.4 Changes in Price and Cost Factors**

### **8.2.4.1 Introduction**

The changes in price and cost factors in Canada have been assessed in relation to changes in price and cost factors in other major industrial countries. It is presumed that these will have some effect on the shares of world export markets that Canada would obtain as compared to these other countries. Moreover, they should have some effect on the competitive position of exports of these countries in the Canadian market and vice versa. The price and cost factors that have been examined are highly aggregated. In this report, only factors relating to manufacturing as a whole or to major commodity groups have been examined. Indeed, this section focusses on manufactured goods. Since the bulk of manufactured goods are produced in the developed countries, the changes in price and cost factors in developing countries have been ignored.

### **8.2.4.2 Changes in Canada's Shares of World Trade**

A summary is provided in Table 8.1 of the principal changes in Canada's share of world markets of all commodities and of manufactured commodities. There are four distinct periods, the 1960's, the growth period of the early 1970's, the recession in 1974 and 1975 and then the recent recovery. There are similar distinct periods in cost and price developments.

The first period, the 1960's, was one of growth in Canada's share of world trade in manufactured goods and of total commodities, concentrated in the United States and in transportation equipment, but also evident in our sales to Japan among geographic markets and in food and beverages, wood products and machinery among specific commodity groups. Some decline occurred in our share of the EEC market and of the world market for pulp and paper, primary metals and chemical products.

The second period, the growth period of the 1970's, marked a decline in Canadian shares of world trade in manufactured goods and of total goods in all major industrial markets. At the world level there was a decline in this period in the Canadian share of exports of various leading major manufacturing groups with the exception of wood products and machinery.

The third period, the recession, marked further declines particularly in the United States in 1974 and again a decline in shares in all the major manufacturing groups in Canada's trade. Canada's shares of the import market for manufactures in West Germany, France and Italy was maintained.



The fourth period, the economic recovery, which began in the United States in 1975, has seen an increase in the Canadian share of OECD imports of manufactured goods. The Canadian share of total goods imported has declined somewhat because of the increased importance of world trade in petroleum of which Canada's share is steadily falling. The recovery in the Canadian share in the manufacturing sector has covered all seven of Canada's leading export sectors.

#### **8.2.4.3 General Competitive Position**

The broad picture of the changes in Canada's general competitive position is relatively simple to describe. Canadian manufacturing had about the same performance as U.S. manufacturing from 1960-1974 in terms of unit labour costs, a better performance in terms of export prices of manufactured goods and a somewhat poorer performance in domestic prices (wholesale prices) of manufactured goods. In respect to other major industrial countries, Canada's competitive position improved during the period 1960-1974 on all cost measures, unit labour costs, export prices of manufactured goods, and wholesale prices of manufactured goods but particularly in terms of unit labour costs. There was some contribution to this improvement from the decline in the value of the U.S. dollar in relation to most foreign currencies.

In 1975 and 1976, Canada's competitive position in manufacturing deteriorated in general but particularly in terms of unit labour costs. Interestingly enough Canada's performance in export prices of manufactured goods and wholesale prices of manufactured goods was equal to that of the United States in spite of the much inferior performance in unit labour costs.

During 1977 and 1978, the picture was substantially improved with generally superior price and cost performance in Canada (except vis-à-vis Japan and West Germany) which was improved even more by the depreciation of the Canadian dollar in relation to the U.S. dollar and the decline of the U.S. dollar in relation to most other major foreign currencies.

#### **8.2.4.4 Canada Versus the United States**

Since the most important market for Canada is the United States, the most relevant aspect of our competitive position is given by the changes in the cost position of Canadian industry vis-à-vis that in the United States.

In general, the overall price and cost developments in Canadian manufacturing had a number of distinct phases before adjustments to account for exchange rate changes; the first, in the 1960's, was one in which unit labour costs in Canada increased somewhat less than those in the United States. This was followed by a period in the early 1970's when the cost



trends in the two countries were very similar. The third phase was that from 1974 to 1976 when unit labour costs in Canada increased considerably faster than those in the United States. The fourth phase, since 1976, has been one in which our overall cost performance has been marginally better than in the United States. (See Table 8.2).

The changes in the value of the Canadian dollar modify this picture somewhat. The depreciation of the Canadian dollar in 1961 and 1962 meant that Canada's unit labour cost position was substantially improved in the 1960s. The appreciation of the Canadian dollar in 1970 and 1971 completely offset the advantage gained in the 1960s. The deterioration of our competitive position as measured by unit labour costs in 1975 and 1976 has now in turn been offset by the recent depreciation of the Canadian dollar.

The trends of unit values in U.S. dollar terms of exports of Canadian manufactures compared to the United States were very similar to those identified for unit labour costs with the significant exception that there was no deterioration of the Canadian position in the 1974 to 1976 period. This is rather remarkable since Canadian unit labour costs had apparently increased so much more than those of the United States in that period. The same feature is noted for wholesale prices of manufactured goods where changes in the 1974 to 1976 period were about the same in Canada as in the United States.

The indications of the improvement in the 1960's in Canada's competitive position vis-à-vis the United States are validated by the changes in the shares of the two countries in OECD imports of manufactured goods. Canada's share rose sharply in the period while that of the United States remained unchanged. The Canadian share of total imports by the United States also rose. In the period from 1969 to 1972, Canada's relative position vis-à-vis the United States in world markets for manufactured goods continued to improve even though the unit labour cost position had deteriorated following the upward valuation of the Canadian dollar. Export prices were not affected markedly. There was, however, a reduction in the Canadian share of United States imports.

This was followed by a sharp drop until 1975 in the Canadian world market position in manufactures vis-à-vis the United States as the Canadian share fell and the U.S. share rose fractionally. In addition, the Canadian share of U.S. imports fell.

The period, i.e. 1974-76, of most marked deterioration in Canada's unit labour cost position vis-à-vis the United States, was surprisingly one in which the Canadian position in both world markets and in the United States market recovered. This seems to be due to the fact that prices of Canadian manufactured goods did not reflect this deterioration in cost performance. It is evident also that cyclical factors have played a major role. Since 1976, the improvement in our competitive position vis-à-vis the United States parallels Canada's recovery in both world markets and in the United States.

TABLE 8.2

PERCENTAGE CHANGES IN FACTORS AFFECTING COMPETITIVE POSITION  
OF CANADA VS UNITED STATES

	<u>1960-69</u>	<u>1969-72</u>	<u>1972-74</u>	<u>1974-76</u>	<u>1976-78</u>
<u>Unit Labour Costs Manufacturing (in U.S. dollars)</u>					
Canada	-4.4	19.8	21.5	26.0	-1.5
United States	11.3	8.6	21.2	9.6	14.1
<u>Unit Labour Costs Manufacturing (in national currencies)</u>					
Canada	6.1	10.2	19.9	27.1	12.7
United States	11.3	8.6	21.2	9.6	14.1
<u>Output per Man-Hour in Manufacturing</u>					
Canada	50.5	13.4	5.9	1.6	5.4
United States	33.1	10.6	-2.8	10.1	3.5
<u>Hourly Compensation (in national currencies)</u>					
Canada	59.7	24.9	27.0	29.0	18.9
United States	48.1	20.2	17.8	20.7	18.1
<u>Unit Values of Total Exports (in U.S. dollars)</u>					
Canada	8.2	15.5	53.2	12.6	-0.7
United States	15.8	12.3	48.4	15.8	10.8
<u>Unit Values of Exports of Manufactures (in U.S. dollars)</u>					
Canada	-3.6	15.0	25.1	16.1	3.0
United States	17.9	9.9	30.5	23.8	12.9
<u>Wholesale Prices, Manufactured Goods (in national currencies)</u>					
Canada	21.7	12.6	37.9	16.2	18.2
United States	12.1	11.0	30.7	16.2	14.2
<u>Wholesale Prices, Manufactured Goods (in U.S. dollars)</u>					
Canada	9.7	22.4	39.6	15.3	3.2
United States	12.1	11.0	30.7	16.2	14.2

Source: International Economic Indicators, March 78 and June 78.  
Estimates for 1978 based on OECD Economic Outlook, July 1978  
and monthly 1978 data. Exchange rates for 1978 estimated  
on the technical assumption of no further change in rates after  
August, 1978.

TABLE 8.3

PERCENTAGE CHANGES IN FACTORS AFFECTING COMPETITIVE POSITION  
OF CANADA VS OTHER INDUSTRIAL COUNTRIES

	<u>1960-69</u>	<u>1969-72</u>	<u>1972-74</u>	<u>1974-76</u>	<u>1976-78</u>
<u>Unit Labour Costs Manufacturing (in U.S. dollars)</u>					
Canada	-4.4	19.8	21.5	26.0	-1.5
United Kingdom	8.3	36.0	26.6	15.2	34.3
F.R. Germany	32.0	57.6	43.8	9.2	31.9
France	20.9	21.4	32.3	22.9	24.0
Italy	36.3	45.9	20.3	16.4	34.1
Netherlands	57.0	35.2	42.5	21.1	n.a.
Japan	29.9	49.3	47.2	15.7	54.7
<u>Unit Labour Costs Manufacturing (in national currencies)</u>					
Canada	6.1	10.2	19.9	27.1	12.7
United Kingdom	27.1	30.0	35.3	49.4	26.9
F.R. Germany	24.0	28.2	16.5	6.4	6.9
France	27.8	18.2	25.9	22.1	17.2
Italy	37.7	35.9	34.0	48.6	37.8
Netherlands	51.0	19.7	19.0	19.2	n.a.
Japan	29.4	26.3	41.5	17.6	8.5
<u>Output per Man-Hour in Manufacturing</u>					
Canada	50.5	13.4	5.9	1.6	5.4
United Kingdom	41.1	11.7	5.3	0.9	0.9
F.R. Germany	71.4	14.5	12.7	12.3	8.4
France	68.0	18.7	8.7	11.8	9.0
Italy	72.4	18.4	17.3	3.6	1.5
Netherlands	81.6	26.3	19.4	7.9	n.a.
Japan	147.1	26.1	12.0	8.0	9.2
<u>Hourly Compensation (in national currencies)</u>					
Canada	59.7	24.9	27.0	29.0	18.9
United Kingdom	79.5	45.1	42.6	50.7	12.7
F.R. Germany	112.7	46.7	31.2	19.5	15.5
France	114.3	40.3	36.0	36.6	27.5
Italy	137.6	60.9	57.2	54.0	14.0
Netherlands	174.0	51.3	42.1	28.7	11.2
Japan	220.0	59.2	58.5	39.3	12.0

TABLE 8.3 (Cont'd)

PERCENTAGE CHANGES IN FACTORS AFFECTING COMPETITIVE POSITION  
OF CANADA VS OTHER INDUSTRIAL COUNTRIES

	<u>1960-69</u>	<u>1969-72</u>	<u>1972-74</u>	<u>1974-76</u>	<u>1976-78</u>
<u>Unit Values of Total Exports (in U.S. dollars)</u>					
Canada	8.2	15.5	53.2	12.6	-0.7
United Kingdom	n.a.	24.5	35.8	13.9	34.3
F.R. Germany	16.5	30.9	46.4	12.6	24.6
France	10.2	21.3	45.6	15.8	22.9
Italy	0.9	20.9	48.7	6.6	27.7
Netherlands	9.8	20.8	64.8	11.9	25.3
Japan	-9.1	21.6	55.6	-1.8	47.4
<u>Unit Values of Exports of Manufactures (in U.S. dollars)</u>					
Canada	-3.6	15.0	25.1	16.1	3.0
United Kingdom	-6.7	24.7	31.4	15.1	34.4
F.R. Germany	9.8	30.7	43.9	14.7	24.8
France	9.7	19.7	39.8	20.1	23.2
Italy	0.0	22.5	35.2	10.1	28.0
Netherlands	11.1	21.0	51.2	9.3	24.0
Japan	-3.1	22.0	54.2	-2.9	47.3
<u>Wholesale Prices, Manufactured Goods (in national currencies)</u>					
Canada	21.7	12.6	37.9	16.2	18.2
United Kingdom	26.4	23.0	32.4	44.5	31.1
F.R. Germany	9.2	12.0	21.1	6.9	4.5
France	25.8	14.8	48.2	1.2	6.9
Italy	17.6	15.1	67.5	32.8	27.5
Netherlands	19.0	13.9	17.2	14.1	8.0
Japan	4.2	4.0	47.7	6.0	0.4
<u>Wholesale Prices, Manufactured Goods (in U.S. dollars)</u>					
Canada	9.7	22.4	39.6	15.3	3.2
United Kingdom	7.7	28.7	23.9	11.4	38.3
F.R. Germany	16.3	37.6	49.5	9.8	29.0
France	19.1	17.8	55.5	2.0	12.8
Italy	16.5	23.6	50.5	4.0	24.3
Netherlands	23.8	29.1	40.3	15.8	30.1
Japan	4.6	23.0	53.7	4.3	43.3

Source: International Economic Indicators, March 78 and June 78  
Estimates for 1978 based on OECD Economic Outlook, July 1978 and monthly 1978 data. Exchange rates for 1978 estimated on the technical assumption of no further change in rates after August, 1978.



#### 8.2.4.5 Canada vs Other Industrial Countries

On a broader perspective, the trends in Canadian unit labour costs since the 1960's were distinctly more favourable than those of overseas industrial countries in the period from 1960 to 1974. It was only in the period from 1974 to 1976 that our unit labour costs in national currency terms rose faster than most other industrial countries. Since 1976, our cost performance has again been better than in most other industrial countries (See Table 8.3).

Because, in general, their currencies appreciated in relation to the Canadian dollar (except in the case of the U.K. pound) the unit labour cost position of Canada was even more substantially improved when expressed in U.S. dollars. Again, the period from 1974 to 1976 marked a reversal of this pattern with Canada having the highest increase in unit labour costs of the industrial countries.

Unlike the case of Canada and the United States, there seems to be relatively little relationship between the trends in unit labour costs in manufacturing and the trends in export prices in many overseas countries. This is most remarkable in the case of Japan where, in general, with the exception of the inflationary period of 1972 to 1974, the rates of increase of export prices have been substantially lower than those for unit labour costs. Again, with the exception of the same period, the unit values of exports of manufactured goods have tended to increase more slowly than those for unit labour costs in the European industrial economies throughout the period. Thus, the improvement in Canada's competitive position in the 1960's was not so marked in terms of export prices, although Canada continued to have the second best performance from 1969 to 1972 and the best performance in the period from 1972 to 1974. Again, the deterioration of our competitive position in the 1974-1976 period was not so marked in terms of export prices as it was in unit labour costs. Indeed, only Japan and the Netherlands of the selected industrial countries significantly improved their competitive position in that period vis-à-vis Canada.

In the 1960's, Canada's share of world exports of manufactured goods improved vis-à-vis the other major industrial countries with the exception of Japan and Italy. Canada, Italy and Japan had a similar price performance in this period. The United Kingdom also had an equivalent price performance to that of the three growing exporters but this did not prevent its share from dropping precipitously.

The next two periods, from 1969 to 1972 and from 1972 to 1974, were periods in which Canada's price performance in U.S. dollars was in general better than that of other industrial countries but this did not prevent a decline in Canada's share of exports of manufactured goods in relation to these other countries.

The period from 1974 to 1976, on the other hand, has been one of marginally better price performance in Canadian manufacturing than in most of the other industrialized countries. In general, Canadian shares of exports of manufactured goods vis-à-vis these countries have been maintained or exceeded except for Japan. It should be noted that the share of West Germany in 1976 was lower than its peak in 1973, while the strong growth of Japan's share in world exports came to a halt in 1975 although it resumed in 1976 and has continued into 1977 and 1978.

Canada's shares of the imports of each of these major industrial countries have also changed over the period. Canada's shares of Japan's imports rose in the 1960's but suffered a sharp decline in the United Kingdom market. Canada's shares of West Germany's and France's imports also edged downward somewhat in the period but grew in the case of Italy and the Netherlands. In the 1970's, our share of Japan's imports stabilized but our exports to the United Kingdom continued to grow much more slowly than those of our major competitors. On the other hand, our shares of the imports of other major West European countries, such as West Germany, France and Italy, rose.

### 8.3 CONCLUSION

The preceding sections indicate that in the 1960s and 1970s there has been some global relationship between Canada's export performance in manufactured goods and Canada's comparative price and cost performance. The apparent improvement in Canada's competitive position in Western Europe has not, however, led to a rise in our share of this market indicating that the disadvantage under which Canada has laboured since the establishment of the European Common Market has been of some consequence.

This global treatment of export developments and of price and cost factors does not reveal some of the important developments in individual commodities or in specific sectors of manufacturing. These will be considered in forthcoming studies.









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